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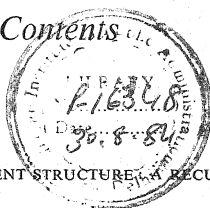
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## *Our Contributors*

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DR. AMARESH BAGCHI is R.B.I. Professor at the National Institute of Public Finance and Policy, New Delhi.

PROF. B. CHAKRAVARTY is Associate Professor at the Indian Institute of Management, Calcutta.

SHRI GANGADHAR JHA is Training/Research Associate at the Indian Institute of Public Administration, New Delhi.

PROF. ASOK MUKHOPADHYAY is Professor of Urban Studies at the Indian Institute of Public Administration, New Delhi.

DR. ARUN KUMAR SHARMA is a faculty member in the Department of Humanities and Social Sciences, Indian Institute of Technology, Kanpur.

SHRI P.S.A. SUNDARAM is Director (UD), Ministry of Works and Housing, Government of India, New Delhi.

DR. H.S. VERMA is Social Planner, State Planning Commission (Planning Department), Government of U.P., Lucknow.

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SHRI GANGADHAR JHA is Training/Research Associate at the Indian Institute of Public Administration, New Delhi.

DR. AMITABH KUNDU is Associate Professor, Centre for Studies in Regional Development at the Jawaharlal Nehru University, New Delhi.



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## *Municipal Management Structure: A Recurrent Problem Revisited*

ASOK MUKHOPADHYAY

THE STRUCTURE of urban government in India has been subjected to a series of inquiries, both official and academic, during the last two decades. The varieties of management structures adopted in different parts of the country for governing urban India have invited such inquiries from time to time. The latest inquiry in this field has been done by a Study Group which was appointed in 1980-81 by the Union Ministry of Works and Housing to go into the issue of constitution, powers and laws of urban local bodies and municipal corporations. Its *Report*<sup>1</sup> has been formally accepted by the Twentieth Meeting of the Central Council of Local Government and Urban Development and endorsed by the Executive Committee of the All-India Council of Mayors recently (early 1983). One is tempted to look into its recommendations on the issue of management structure for urban government because of the topicality, as well as urgency, involved in the matter of devising a suitable pattern of management for the whole range of urban local governments in the country.

### TRADITIONAL STRUCTURE

Traditionally urban India is managed through four types of governmental institutions, viz., municipal corporations, municipalities (or municipal councils), town area committees, and cantonment boards, depending on the size of population, financial resources and character of the human settlement *vis-a-vis* the level of urbanisation achieved in the locality. Of these four types, the first two are more important in the sense that the form of municipal corporations is usually given to the big cities, and most of the urban settlements are

<sup>1</sup>Report of the Study Group on Constitution, Powers and Laws of Urban Local Bodies and Municipal Corporations, Ministry of Works and Housing, Government of India, New Delhi, 1982.

given a municipality form of management structure. The other two institutional forms of management are rather exceptions, so to say. Town area committees are generally meant for very small townships or newly emerging townships which are to be eventually upgraded to municipalities in course of the urbanisation process, whereas a cantonment board is a special kind of urban governmental institution functioning directly under the control of the Union Defence Ministry in the military-controlled urbanised areas. Thus urban India typically has two major patterns of management structure, namely, the municipal corporation and the municipality : the former enjoys more administrative and financial powers than the latter, and municipality can be upgraded into a municipal corporation whenever the state government so decides.

In India the municipal corporation form of management structure has basically followed from the model of urban management structure tried out for the first time in the Bombay Municipal Corporation Act, 1888. The chief feature of this form of management structure is the bifurcation of deliberative and executive functions : the first in charge of an elected council headed by its chairman called mayor and its committees, and the second in charge of an executive officer, known as the commissioner, drawn from the service of the state (provincial) government.

In the municipal council form of management structure, on the other hand, there is a fusion of deliberative and executive functions. The presiding officer of the elected municipal board, called chairman/president, exercises both deliberative and executive powers, and the executive officer, who belongs to the state (provincial) service, functions nominally under the supervision and control of the chairman/president but exercises certain powers statutorily given to him.

#### RURC REVIEW

The Rural-Urban Relationship Committee (RURC), appointed in 1963 by the Ministry of Health and Family Planning,<sup>\*</sup> Government of India, had *inter alia* addressed itself to the problem of management structure for the urban local bodies. For the bigger municipalities the RURC preferred the separation of policy-making from the executive functions, and recommended the setting up of some sort of a standing committee (called Coordination and Finance Committee) which would consist of the mayor-chairman, chairmen of functional committees plus a few members chosen by the council, and would prepare budget estimates, supervise all financial matters and coordi-

<sup>\*</sup>This ministry was, at that time, in charge of municipal administration and urban community development.

nate the activities of different municipal departments.<sup>3</sup> The RURC also suggested strengthening of the position of the mayor.<sup>4</sup>

#### DELHI BILL (1966)

An alternative pattern of management structure, called the Mayor-in-council system, was proposed for Delhi Municipal Corporation in a draft bill drawn up in 1966. It provided that :

- (a) Mayor is to be elected by the elected councillors from among themselves;
- (b) Mayor-in-council is to consist of the mayor and two deputy mayors to be appointed by the administrator (*i.e.*, Lieutenant-Governor) among the councillors on the advice of the mayor;
- (c) The mayor-in-council is to exercise executive powers; and
- (d) With the approval of the administrator, the mayor-in-council is to appoint the commissioner as the chief executive officer who would work under the supervision and control of the mayor-in-council.

Parliament did not have the opportunity to consider this draft bill because of the intervening general elections in 1967 and subsequent developments in national politics.

#### INDIAN INSTITUTE OF PUBLIC ADMINISTRATION STUDY

The wide variations in the management structure and also in the administrative and financial powers of municipal corporations and municipalities drew the attention of the Sixth Conference of the All-India Council of Mayors in 1967. At the request of the concerned ministry of the Government of India, the National Centre for Training and Research in Municipal Administration (since renamed Centre for Urban Studies) at the Indian Institute of Public Administration, New Delhi, studied the problem of management structure in municipal corporations. Its Report was prepared in 1971, and it contained proposals for a model legislation for the municipal corporations.<sup>5</sup> The IIPA Report considered three models of municipal management structure, *viz.*, (i) mayor-in-council, (ii) mayor as the sole executive authority guided and controlled by the council in policy and financial

<sup>3</sup>*Report of the Rural-Urban Relationship Committee. Vol. I, Ministry of Health and Family Planning, Government of India, New Delhi, June 1966, p. 61, para 7.25.*

<sup>4</sup>*Ibid.*, p. 69, para 7.48.

<sup>5</sup>*Proposals for Model Legislation for Municipal Corporations, Indian Institute of Public Administration, New Delhi, 1977.*

matters, and assisted and supported by the commissioner in administration and execution, and (iii) the council-manager. It was felt that under the first and second patterns of management structure there would be scope for committees; especially the second pattern would have a steering committee for the larger council. There could be functional committees, and also zonal/circle committees in metropolitan cities. The study by the IIPA recognised the consultative role of committees irrespective of the executive structure of urban government. With mayor-in-council or mayor as the sole executive authority, the committees would have policy-forming and advisory functions. As the choice of any one of these systems would necessarily have to be a political one, the IIPA Report quite understandably desisted from making a specific recommendation in favour of any one of the alternatives considered.

#### RESTRUCTURING IN SMALL AND MEDIUM TOWNS

So far as the small, medium or intermediary urban settlements are concerned, their management structure has surprisingly remained unchanged for decades. In spite of intermittent proddings by the union government for reorganising the management structure of urban government, few state governments have made any attempt in this direction. After independence, only the state governments of Uttar Pradesh and Madhya Pradesh made some attempts to introduce a sort of presidential form of management structure in the governance of small and medium towns by providing for direct popular election of the municipal chairman. But the reforms proved abortive in both the states which soon reverted back to the traditional system.<sup>6</sup>

The Maharashtra Government also tried to reorganise the municipal management structure through its Municipal Act of 1965 as amended in 1966. It provided for a strong Standing Committee consisting of the municipality's president along with the chairmen of subjects committees and three other councillors elected by the council. Most recommendations of subjects committees and all financial and establishment matters were to pass through this standing committee. The idea was to strengthen the position of the president in the decision-making process of the municipality. This reform was, however, undermined in practice by frequent resort to the no-confidence motions against the chairman. Maharashtra had another reform introduced in 1974 providing for direct popular election of the municipal president. The UP Government's Ordinance of 1976 also provided for direct popular election of municipal presidents. Both

<sup>6</sup>Mohit Bhattacharya, *Essays in Urban Government*, Calcutta, World Press, 1970.

these experiments, again, proved unsatisfactory. Hostilities between the municipal president and his council, both being separately elected, proved a stumbling block in improving municipal management. Both the states again reverted back to the traditional practice of the municipal council electing its own president, and executive responsibility being divided between the elected president and the career administrative head, called the executive officer.

#### RECOMMENDATION OF THE TASK FORCE

Towards the end of 1975 the union ministry of works and housing appointed a Task Force on Planning and Development of Small and Medium Towns and Cities. The Report of this 'Task Force,'<sup>7</sup> which came out in early 1977, *inter alia* dealt with the question of a suitable management structure for the small and medium towns and cities. The Task Force considered three possible alternatives about the management structure of small and medium towns and cities :

- (i) The president/chairman being given all executive powers of enforcement, sanction and appointments—as in the case of strong mayor system in the USA;
- (ii) The executive officer/commissioner being vested with full executive authority, answerable to the full council, and the elected president being the presiding officer and a possible link between the executive and the deliberative wing; and
- (iii) The president and one or two vice-presidents selected by him from amongst members functioning as a mini-cabinet jointly responsible to the council for all executive work and management of municipal services.

The first and third alternatives obviously presumed that elected presidents/chairmen would be wholetime salaried executives. But the tradition and practice in municipal government in India has insisted on voluntary and honorary service on the part of elected representatives. Because of the difficulty involved in finding out in small and medium towns and cities persons willing to give up their jobs/business/professions for taking up municipal management for a specified term, and also because of the possibility of factionalism in local politics *vis-a-vis* local pressure groups leading to frequent use of no-confidence motions and thereby creating instability in municipal government, these two alternatives were not deemed acceptable.

<sup>7</sup>Report of the Task Force on Planning and Development of Small and Medium Towns and Cities, Vol. I, Ministry of Works and Housing, Government of India, New Delhi, 1977.



On the other hand, the second alternative was found more acceptable to the Task Force on the grounds that it reconciles accountability of the executive officer to the elected council with a high degree of professional management less disturbed by political interference in the day-to-day execution of policies. The Task Force, however, desisted from clearly recommending any of these alternatives for acceptance. Instead, it underlined two conditions as essential, viz. : (a) the accountability of the chief executive, elected or career, to the municipal council; and (b) the development of professional competent cadres to build up expertise, specialising in urban management. The importance of these two pre-conditions of a sound management structure of urban government can be realised in view of the fact that almost in all the states of India the capital works in respect of major roads, water supply and sewerage have to be carried out by state government agencies, which do not accord priority to municipal works and are in no way answerable to the municipal authorities. The long-term consequence of this system is that municipal officials at senior levels not only do not grow in their competence but remain unprepared for shouldering major management responsibility.

Urban planning and development is a very challenging and difficult area of administration requiring a specialist cadre with requisite training in building up infrastructural facilities for urban development. More and more specialised development authorities are being created and vested with powers of planning and development. Municipal government, on the other hand, is being relegated to the back seat in the task of urban management. The rising demand for greater participation in city government by the people's representatives and the palpably falling standard of efficiency of service delivery systems under nominated improvement trusts and development authorities during the last two decades in India worked together to give rise to the necessity of reform in the management structure of urban government, both in the big cities as well as in smaller towns.

#### REFORMS IN WEST BENGAL

The issue of structural reforms in municipal government again came to the limelight when West Bengal's Left Front Government proceeded to legislate for Calcutta and Howrah municipal corporations on the basis of the mayor-in-council model suggested by the IIPA Study. While introducing the Calcutta Municipal Corporation Bill in the state assembly on April 29, 1980, the minister observed :

'Corruption and maladministration in Calcutta Corporation, in my opinion, are the external symptoms, only of a deep-rooted malady—which I would like to characterise as lack

of local government which is responsive and responsible to the people-at-large'. Hence the West Bengal Government wanted to ensure that 'local democracy resumes its place as a major part of our democratic system itself', because of the possibility inherent in local democracy to 'spread political powers' and to 'enhance accountability'.<sup>8</sup>

With this declared purpose, the Calcutta Act (and later the Howrah Act also) vested municipal executive power in a political executive which would remain accountable to the electorate. The conventional system of the standing committee, with councillors devoting part-time work, has yielded place to the full-time mayor-in-council. The mayor, and not the municipal commissioner, would exercise executive leadership. Under this form of management structure the mayor would be elected by the elected councillors, and his colleagues in the mayor-in-council who would be chosen by him from among the elected councillors would enjoy office during his pleasure. The mayor would cease to play the role of the corporation's presiding officer and this job would be performed by a new functionary, called the chairman. Under this system, the corporation would enunciate policies concerning the municipal government, approve programmes and their priorities, and incorporate them into budgetary and fiscal measures. The corporation would exercise only limited executive power while the executive functionary would be the mayor-in-council through the commissioner, who would be answerable to the corporation for its performance. The corporation would have the power to remove the mayor-in-council by passing a no-confidence resolution by a simple majority. There is also the provision of a statutory Municipal Accounts Committee on the lines of the Public Accounts Committee in the parliamentary system of government.

#### RECOMMENDATIONS OF THE STUDY GROUP

Meanwhile, devising a suitable management structure for urban local government continued to be a matter of serious concern to the Central Council of Local Government and Urban Development. In pursuance of the resolution of the Central Council in December, 1980, the union ministry of works and housing appointed four Study Groups, one of which was for the purpose of examining the constitution, powers and laws of urban local bodies and municipal corporations. It was a broad-based Study Group consisting of elective

<sup>8</sup>For the text of the speech, see *Nagarlok*, New Delhi, Vol. XIII, No. 4, October-December 1981, pp. 74-82.

elements at the municipal level, administrators having experience in the management of urban development and academic experts on the subject. This review was intended to be a comprehensive inquiry into the problem of urban management structure and its terms of reference were : (a) to examine the organisational structure of various types of urban local authorities, (b) to define the executive structure of municipal corporations in the context of suggestions regarding the mayor-in-council system, and (c) to consider the possibility of introducing uniform laws and regulations for different types of urban local bodies. This inquiry was deemed necessary in view of the emphasis laid in the emerging urban development policy under the fifth and the sixth plans for strengthening urban bodies organisationally and financially and chalking out a strategic role for the urban local governing bodies in national development.

The Study Group recommended to make every municipal body the planning and development authority for its region. On the question of devising a suitable management structure the recommendations of the Study Group revolved round the following basic ideas :

- (i) Cities with a population of one million and over, and capital cities of the states to have the pattern of mayor-in-council.
- (ii) Cities with population less than one million to have the pattern of mayor-in-standing committee.
- (iii) In the mayor-in-council form of management structure there would be consultative committees for various subjects chaired by members of the mayoral cabinet.
- (iv) In the mayor-in-standing committee form of management structure there would be a graded committee system with the standing committee at the apex.
- (v) Every corporation to have a statutory accounts committee on the lines of public accounts committees in the parliament and state legislatures, and it is to be chaired by a councillor drawn from opposition group/party.
- (vi) Large and medium-sized municipalities to have the chairman-in-standing committee form of management structure on the lines of the mayor-in-standing committee.
- (vii) Under the system of mayor-in-council the commissioner of the city corporation is to be appointed by the state government in consultation with the mayor and withdrawn at his instance.
- (viii) Under the system of mayor-in-standing committee the commissioner to be appointed by the state government in consultation with the mayor and withdrawn when the

- municipal council would so demand by a two-thirds majority.
- (ix) The commissioner/executive officer/chief officer of a municipality to be appointed by the state government but to be removed on demand for his removal being made by the prescribed majority of councillors.
  - (x) Municipal administration to be managed by the unified state-wide municipal cadre of administrative and technical personnel.

#### A CRITIQUE

So far as the issue of management structure of urban government is concerned the Study Group brought out nothing which was not thought about before. Its diagnosis is correct and as a matter of fact very wellknown: "Today, urban India depicts the picture of 'functioning anarchy'..... the city government suffers from lack of coherent political leadership and operational freedom in the management of urban affairs".<sup>9</sup> Hence there was really no ground for not accepting its report as such. But there are a few points on which certain observations are called for.

The Study Group's arguments in favour of the mayor-in-council form of management structure are understandable. Being an approximation (not exactly similar) to the cabinet form of government with which the country is, by this time, quite familiar, the mayor-in-council form of management structure scores better over either 'strong-mayor' or 'council-manager' varieties. Moreover, as it gives enhanced importance to the political wing of the city government, this form of management is likely to attract talents better than those found so far in the service of city government. But the Study Group has not made it sufficiently clear why it is recommending the mayor-in-standing committee form of management structure for cities with population less than a million. Is it solely because of the different sizes of urban population to be governed? What is, after all, the functional relation between the size of population and the form of management structure? The reason advanced by the Study Group is that million-plus cities and state capitals need "a system that ensures sufficiently strong political leadership" because these cities may find themselves "involved in sorting out political issues of public importance and strategic place in national framework and not merely in regional or local one".<sup>10</sup>

It is true that the traditional functionaries in the Indian city government like the ornamental but powerless mayor, the functional

<sup>9</sup>Report, p. 7, paras 3.9 and 3.11.

<sup>10</sup>*Ibid.*, p. 8, para 3.16.

subjects committees having short tenure for their part-time members, and the state-appointed commissioner being non-accountable to the people's representatives in the local council for running the administration, etc., have all become out of date by the sheer compulsions of technological developments and planning techniques used in the management of urban government. The traditional system is open to the serious objection that it does not allow for continuous political supervision over municipal administration and, therefore, invariably leads to bureaucratic control of the city government. In the management structure of big cities the focus of authority remains indeterminate. Hence the case for reforming it. But reformers must have a clear idea of the rationale of reforms. In the field of city government in India there have been organisational efforts in the past to keep the process of urban development separate and undisturbed by politics of urban areas. But these experiments with improvement trusts and development authorities have proved counterproductive, and in recent years the demand for more responsive and responsible management of urban development has become difficult to resist. The mayor-in-council form of management structure has been advocated (and already accepted in Calcutta and Howrah Corporations) precisely for the purpose of unifying four kinds of management roles—political, executive, decision-making, and participatory—into a single management organ. Hopefully, this management innovation would establish the much-needed nexus between the urban development process and the political actors in the metropolitan and big cities. This organisational arrangement is expected to safeguard the interests of urban governmental institutions by replacing the earlier fragmented structure of management (corporation-standing committees-commissioner) which did not allow for single-minded attention to resource allocation, resource mobilisation, and resource accumulation for urban development. All these management processes have political implications which call for political leadership management capacity. The mayor-in-council form of management structure is expected to take care of this job along with the usual political processes like distribution of patronage, power sharing, and popular participation. Bottlenecks in managing municipal affairs arising out of different functionaries working at cross purposes would thus be eliminated. The usual 'cold war' developing between the state-appointed executive called commissioner who tries to exercise executive authority without political interference on the one hand, and the injured but helpless political leadership, without executive power, on the other, has so long been the major stumbling block to any improvement in the service delivery system of municipal corporations in big cities. The nature of the management ills plaguing the big municipalities has perhaps been similar wherever

there has been any attempt to centralise or unify municipal service cadres. The remedy in the case of not-so-big cities like those having population more than 500,000 but less than a million does not therefore lie in adopting a different form of management structure. The planning and development of these cities have already occupied critical dimension in India's total process of urban development. There is no reason why the mayor-in-council form of management structure cannot be tried in these cities also. So far as the medium and small cities and towns are concerned, the existing 'weak-mayor' variety may be continued. But whether such reforms in the management structure would automatically improve the internal management process within the machinery of city and municipal government is altogether a different point which deserves separate consideration. What is expected from this management structure reform is that decision-making mechanism would be streamlined, the endemic debilitating conflict of authority between coordinate municipal functionaries would be eliminated, and a corporate accountability of the municipal executive to the elected municipal bodies would be established. In short, we would like to have responsible and responsive municipal government for ensuring coordinated urban development.

#### CONCLUDING REMARKS

Even after this reform in management structure is achieved, a few more problems would remain to be grappled with. The entire scheme of mayor-in-council visualises the emergence of the mayor-oriented management in the city corporations. Would the state governments agree to accommodate this new centre of power and influence in the municipal corporations? Up till now the political-administrative tradition followed in India in this area of governance show that the attitude of the state governments toward city government has been a mix of neglect, dependence, mistrust and sporadic interests, and consequently the net outcome has been a sort of mutual dislike for each other. The all-important question of decentralisation of powers and responsibilities to city governments has to be squarely faced. The problem would be politically very sensitive and critical when one political party would be controlling the state government and its political adversaries would be controlling the urban seat of government. If no political accommodation could be seen, the whole management experiment with the mayor-in-council system would only increase popular frustration. What is worse, such frustration in all probability would help increase bureaucratic control of urban government. The reformers of urban government would, in that case, find themselves back to square one. □

# *Valuation of Properties Through Regressions: A Critique of Some Recent Proposals and Alternatives\**

AMARESH BAGCHI

THE SYSTEM of property taxation in India has fallen into disrepute because of its inequity and lack of elasticity of its yield in response to increase in population, income, land values and rent. Assessments of annual rental value which forms the base of the tax have gone out of alignment with the levels of rent and property values prevailing in the market because of various factors leaving wide scope for abuse. Valuations are marked by wide disparities and arbitrariness so much so that in some instances the entire quinquennial revision was quashed by the court when challenged on grounds of palpable inequity.<sup>1</sup>

Various suggestions have been put forward in recent years to remedy the deficiencies of the property tax as it is operating at present and ease the problem of determination of annual value. Broadly, these fall into two groups. One group favours the replacement of annual rental value (ARV) by some other base like the capital value (CV) while the other seeks to minimise the degree of subjectivity in property tax assessment by relating the tax to area or some predetermined norm (R.M. Kapoor, 1977, G.V. Ramakrishna, 1980).

There has been a trend towards the CV as a base for municipal taxation in several countries and reportedly there is a move to replace the annual rental values as the base for the property tax in India by capital value. The relative merits of alternative bases for property taxation have been discussed extensively in the literature and need not be gone into here.<sup>2</sup> Suffice it to note that where, as in India, capital

\*This is the revised version of a paper presented at the seminar on "A New Approach to Valuation of Property for Municipal Taxation" organised by the Central Valuation Board, West Bengal, in Calcutta, on February 20, 1982.

<sup>1</sup>NIPFP (1982) Appendix to Chapter II, para 20.

<sup>2</sup>For a survey of the literature and appraisal of alternatives, see NIPFP (1982), Chapter III. The discussion here is based largely on the NIPFP (1982) study.

values of properties which are let out required under the established law to be determined with reference to the income they yield, it is futile to expect that administration of property tax would be easier with a CV base than with a base derived from annual rental income. If anything, the ARV base might be simpler to administer because of: (i) relative ease of obtaining information regarding comparable rents where properties are let out on a large scale; (ii) stability of rents irrespective of variations in market conditions, expectations and age structure of buildings, and (iii) ease of verification. Periodical revisions also should be easier with an ARV rather than CV base. If, however, the property tax is to survive, some way must be found for improving the elasticity of the base and reducing the disparities in assessments which mark property taxation at present. Whichever happens to be the base, CV or the ARV, assessment would pose a serious problem so long as the tax is levied on a base to be determined notionally on the basis of market trends. The problem is compounded by court rulings on what can be regarded as 'fair rent' and the absence of a free and open property/rental market.

One way of reducing the disparities in valuation would be to introduce some norms or levy the tax on a standardised base, irrespective of whether it is the CV or the ARV. Schemes of standardisation have received attention in India primarily because of the promise it holds out for reducing, if not eliminating, the subjective factor in property tax assessment and thereby the scope for abuse, inequity and harassment. Considering the problems encountered in the administration of the property tax the feasibility of standardising the base or the mode of valuation irrespective of the base merits serious consideration.

## II

A common feature of schemes put forward for standardisation is the attempt to fix the tax on the basis of area, after dividing the city or town into a few homogeneous areas and allowing for variations in some of the factors which may have a significant influence on the earning capacity of the properties. Thus the scheme suggested by Ramakrishna (1980) envisages that in fixing the rate of tax account will be taken not only of the area but also other relevant factors such as location, type of construction, nature of use and age. Thus while there would be a basic tax related to area, 'extras' will be added on the basis of other factors like location, construction, type and so on. A similar scheme was suggested for Madras by the Operations Research Group (1979) also based on the finding that variations in rental levels could be attributed substantially to variations in location and a few other identifiable factors. A system of area-based



assessment with the help of norms laid down for different locations and structural types is in operation in Kerala.

Suggestions for standardisation of property tax assessment on the basis of norms have evoked sharp criticism (Banerjee Nirmala, 1981, Mohan, R. 1981 and Datta, A. 1981). The essential point of the criticisms is that the value of a property cannot be related only to its size in terms of area. Determination of the values with reference to other factors like location, etc., on the other hand calls for a decision about the weight to be attached to each. The attempt to relate the value of a property to a few factors like location, etc., in the form of a discrete function such as was contemplated in Ramakrishna's scheme has been described by Rakesh Mohan as 'hedonic'. His objections basically are that: (i) variations in land and property values in a city cannot be explained fully by a small, finite numbers, and (ii) a linear combination of variables may not be the appropriate functional form. The Layfield Committee (1976) also turned down the suggestion for what it called the 'points system' of valuation because of the insurmountable difficulties encountered in "deciding the weight to be attached to the less tangible factors".

In an attempt to overcome the problem of fixing the weight to be attached to the explanatory variables, a scheme was recently put forward by consultants appointed by the Central Valuation Board of West Bengal for the valuation of properties on the basis of regression equations in which the property values would be related 'scientifically' to the factors bearing on the rental values.<sup>3</sup> Instead of relying only on a handful of factors, nearly 40 parameters were identified by the consultants which could possibly have an influence on their earning capacity. Apart from those figuring in Ramakrishna's scheme, some of the factors so identified are "proximity to transport, shopping, health, education, and other facilities, type of occupancy, environmental facilities, orientation, position with reference to traffic corridor, floor area and the number of bedrooms etc." Out of these, 'a handful' would be identified which could have the greatest influence on "the magnitude of the annual rental value so that the less important ones could be ignored and the role of critical ones further refined".

As a first step, it was proposed to obtain the data for the regression equations through a sample survey of 500 premises in Calcutta. The survey would attempt "to relate the rent to the various parameters" of the premises concerned (the rent in this context would be taken at the amount shown as payable to the owner or 8 per cent of the capital value of the premises, whichever is higher). An opinion

<sup>3</sup>"A New Approach to Property Valuation for Municipal Taxation", background paper for the seminar referred to in footnote 1.

poll would be undertaken simultaneously to cross-check the information obtained through the sample survey. This, it was thought, would improve the reliability of the results of the survey. The city of Calcutta would be divided into 5 zones for the purpose. Regressions would be run separately for each of the five zones. "Such an analysis", it was claimed, "would yield a pattern of rental values in rupees per square metre per annum for different zones and within each zone for different land uses. On the basis of these data, it would be possible to set out weightage points for each of the five zones for each of the important parameters influencing rent. Once this is finalised, it should be possible for any owner to identify the parameters applicable to his premise, use the appropriate rent index given and thus arrive at the annual rental value as well as the tax assessable".<sup>4</sup>

### III

That the earning capacity of an urban property, or for that matter its capital value, is determined primarily by a few identifiable factors like location, type and age of construction, use, access to facilities like public transport, hospitals and so on, cannot possibly be disputed. It is also not altogether unreasonable to presume that the 'true' rent or capital value of a property is a function of such factors and, therefore, it should be possible to obtain an idea of their functional relationship if information regarding the factors influencing rent and the rent actually fetched (or alternatively, the capital value) was available for a sufficiently large sample of properties. Once the equations are derived with a good 'fit' it should be possible to predict the rental (or capital) value of a given property with a reasonable degree of confidence if the particulars (in quantitative terms) of the independent variable, *viz.*, location, type, age, use, facilities, etc., are fed into the equations.

The fact that the predicted values may not correspond exactly to actuals in all cases and that the independent variables, even if carefully chosen, may not explain all the variations in the actual values of the properties comprising the sample from which the parameters of the regression equations are derived should not be held out as a ground for rejecting the regression approach out of hand. After all, evidence shows that the existing method of assessment also does not provide an infallible guide to the 'true values' and that the ratios of assessed values of properties to their capital value (or what may be regarded as 'true' rental values) are far from uniform even in the cities of developed countries like the USA (Groves, H. 1969). Therefore, some margin of error has to be allowed for under any system. The criticism of

<sup>4</sup>"A New Approach to Property Valuation for Municipal Taxation", *op. cit.*

Ramakrishna's proposal for a standardised system of assessment put forward by purists on equity grounds is thus untenable. Besides, current thinking on valuation is turning to the use of statistical techniques and there are indications that appraisal techniques will in the near future make use of statistics (Baum, A. and Mackmin, D. 1979). Nevertheless, there are reasons to doubt whether in the conditions prevailing in our country regressions can provide the answer to the problems which beset the systems of property taxation:

The main reason for doubting the efficacy of regressions to provide an acceptable method of property valuation is that a functional relationship between property values (whether one has in view annual rental value or capital value) and the factors which could legitimately be regarded as their determinant can be observed only where the rents are allowed to be determined freely in an open market. As is well known, the rental or real estate market in India is neither free nor open. Statutory control over rents puts a severe restraint on the movement of rents, while the practice of taking 'pugree' and 'salami' stands in the way of getting any clue to the actual levels of rent prevailing in the market from the amounts disclosed as rent received by the landlords from their tenants. In the circumstances it is difficult to see how any meaningful functional relationship can be derived from the observed figures of rent unless the sample from which the information is drawn is made up only of properties which are not subject to rent control. But a sample consisting of properties other than those subject to rent control provisions would not be random and is unlikely to be accepted as truly representative. If, on the other hand, the sample is allowed to comprise properties subject to rent control (all old tenancies are governed by rent control laws) as well as others, it would be extraordinary if the regressions yield any dependable relationship. In fact, a good 'fit' of regression equations in such circumstances should be suspect. If, however, the equations do not fit the data from which they are drawn sufficiently closely, assessments based on the equations would not correspond with the reality and would be open to question. In any case, with such a sample, the preponderance of old tenancies and concealment of actual rentals in the case of new ones would result in depressing the predicted values and defeat the very purpose of deriving them.

The problem mentioned above cannot be got over even if the sample is stratified, *i.e.*, one for properties coming under the purview of rent control and another comprising others. Regressions derived from a sample comprising properties coming under the purview of rent control cannot reflect their letting value at current rates. Parameters of equations based on a sample of properties outside the pale of rent control will also not help to predict current values because of

the possibility of collusion and lack of reliable information on actual rents. Hence, if regression equations are to serve as *reliable* guides to actual market values, they have to be derived from *reliable* data on rent. In other words, the sample has to be confined to properties for which the disclosed rents are reasonable by prevailing standards (e.g. in the case of properties hired by agencies not likely to be a party to any shady transaction). Hence the observed rents have to be corrected or screened for possible understatement and the effects of rent control.

As noted already, in the proposed scheme the rents which would be related to the various parameters of the premises concerned would be the rent declared as payable or 8 per cent of the capital value of the premises whichever was higher and the answers obtained through the survey would be cross-checked through an opinion poll. It is unrealistic to think that an opinion poll can correct understatement or that figures observed in this fashion can be used without any further scrutiny or will be acceptable as a base for taxation. Besides, to try to screen or correct the disclosed figures of rent to estimate what could be regarded as the rent warranted by the characteristics of the properties in question amounts to begging the question. Thus, the very factors which constrain the determination of fair rental value according to the prevailing market trends, viz., rent control and widespread suppression of facts relating to actual rents, will stand in the way of deriving any meaningful functional relationship between rental values and their determinants through equations based on observed data. Hence, however attractive the regression route might appear to be as a way of assessing property values in a scientific, and so, objective manner, it is unlikely to work in the conditions of rental and real estate market prevailing in our country.

There are other problems which need to be sorted out before such a proposal can be proceeded with. Granting that the rent/capital value of a property is determined by its characteristics, do all the relevant characteristics or even the principal ones land themselves to quantification? Take, for instance, location. There can be no two opinions that the location of a property is one of the most important factors determining its rental potential. But how does one take account of this factor in setting up a regression model of property values or rent index? To allow for variations on account of location there is no way but to divide a city into zones. As mentioned already, the proposal under consideration did contemplate five zones for the city of Calcutta for each of which the regressions would be run separately. But would it be appropriate to assume that the influence of the location factor in all areas of a given zone will be uniform unless the zone happens to be homogeneous? However carefully one does the zoning, it is difficult to think of any zone in Calcutta which

could justify such an assumption unless the zones are sufficiently small (e.g., Salt Lake area). Even a relatively newly developed area like New Alipore can scarcely be regarded as homogeneous with different blocks having different characteristics. If, however, the zones are to be large in number, construction of the regressions for each zone will pose a huge task. Also, demarcating one zone from another would call for some subjective judgment and thus an element of arbitrariness cannot be avoided. Then again, some forty characteristics had been identified in the scheme as factors determining rental values. No doubt computers can handle any number of variables in a multiple regression model, but one wonders whether each of these characteristics can be quantified.

Assuming that the statistical problems can be solved and the sample data can yield equations with a reasonably good fit—an assumption which is unlikely to be fulfilled because of reasons just mentioned—it needs to be considered whether the laws relating to municipal assessment in West Bengal (or in other parts of India), even after the recent changes in the West Bengal municipal laws, would permit the values derived through such equations to be accepted as a basis for taxation, and whether it would be equitable to base the assessments on values derived from such equations. After all, a regression equation can predict the value of its dependent variables (rent, in this case) only with some probability. However close the fit, the predicted values are only *probable* but not certain. Any deviation from the predicted value in an individual case beyond a specified margin would be improbable (the range of probability can also be specified) but *not* impossible. Therefore, in a case where the value predicted by the equation diverges significantly from what ostensibly is the 'actual', the taxpayer may well contend that the deviation in his case has been caused by a large element of the residual factor which no regression equation, no matter how elaborately modelled, can capture fully. It is difficult to see how arguments such as these can be shut out so long as the tax base continues to be the fair letting values of the property and, for all the changes made in the law, the fair letting value remains the base of the municipal property tax in West Bengal. All that the value predicted by regressions can do is to cast an onus on the taxpayer to prove that the disclosed value is the true value. Evidence required for discharging such onus should not be too difficult for resourceful tax payers to procure. What is more, with rent control in operation, such deviations can be quite genuine in many cases.

The suggestion that in such case the law should permit landlords to pass on additional burden to the tenants is not going to help since one half of the additional tax has to be paid by the owner. In fairness,

where a landlord truly gets an amount of Rs. X per annum as rent and the assessment is made on the assumption of higher gross rental say Rs. Y, the entire difference in his tax burden resulting gross, rental (and not merely 50 per cent of such difference) should be borne by the tenant. Such an approach would be alien to the well-established principle that the value of property should be taken as the value to the owner.

If the tax is to be based on a rent index unrelated to the rent which a landlord *can* get under the laws of the land, then the entire orientation of the property tax has to be changed. The liability for any additional tax resulting from the substitution of a hypothetical index for the actual must be entirely on the tenant. The bills for the occupier's share should also be issued in the name of the occupier and no part of the liability of the occupier should attach to the property. There may not be any objection in equity in taking such a line and as argued later there is a good and sustainable case for levying a tax on the commercial use of property on an area basis and collecting it from occupiers (NIPFP, 1982). But in the case of residential properties it may create practical problems in the collection of the tax and, what is more, it would mean a radical departure from the main rationale for property taxation, namely, taxing citizens according to their ability to pay. While municipal property tax derives its justification partly from the benefit principle also, no government would like to base a tax entirely or even mainly on the benefit theory, for in that case there would be no justification for providing any civic facility to the poorer sections on a concessional basis. It would also have other implications for the tax structure, *e.g.*, weakening the case for progression in property taxation.

In short, given the problems of obtaining reliable data on rents and the operation of rent control, it would be quite wrong to assess the rental value of properties on the basis of regressions. Taking 8 per cent of capital value is also not going to help much since reliable evidence of land prices would be equally difficult to obtain and, for rented properties, according to Supreme Court's rulings, capital value has to be computed only by capitalising the rent. Where the data base is so weak, to assess annual values of properties on the basis of values predicted by regression equations and treat them as inviolable or unchallengeable would be highly arbitrary and difficult to justify either in equity or in law. In the face of the infirmities of the basic data, it cannot be maintained that regression equations will take account of all significant differences as between properties or would be able to classify properties on a relational basis, which is an important test of reasonable classification as laid down by the

courts in this context<sup>5</sup>. If the results turn out to be demonstrably inequitable or anomalous, the plea of scientific nature of the methodology used is unlikely to convince anyone and cannot stand judicial scrutiny. For all these reasons, the values predicted by regressions can at best provide the basis for setting up norms for guiding assessments, and cannot be accepted as an inflexible index for determining the base for property taxation. Even for settling up the norms, a mechanical method relying on regressions may not be helpful because of the infirmities of the basic data.

#### IV

This is not to question the need for formulating norms for property valuation. There can be no doubt that to bring some order in the present chaotic state of property taxation, some norms are absolutely essential. The point which this paper seeks to stress is that, first, such norms cannot be derived through regressions in the present state of the rental/real estate market. For establishing what could be regarded as the norm for a given property it would be necessary to have an idea of the rents for properties for which the tenancy agreements are beyond any suspicion—a task which would require considerable spade work in collecting and sifting the information on rents. Obviously, such a task cannot be performed mechanically. Secondly, so long as annual rental value as it is defined in the relevant legislations now remains the base, an opportunity must be given to the taxpayers to contest the assessments whatever be the method of their determination. It would be wrong to foist a value determined through equations as the correct value of a property in view of the pitfalls from which the regressions can suffer even under the best of circumstances and especially with rent control and other factors constraining the operation of a free market in rents.

Norms can still be useful and legally acceptable if they are laid down not so much as statutory standards but only as a guide to a minimum below which valuations should not go except under clearly specified and provable circumstances. Such guidelines are in operation in the Tamil Nadu for assessing the market value of properties for purposes of determining the registration fees payable. The guidelines were formulated following the amendment of the Tamil Nadu Stamp Act in 1967 whereby stamp duty was made payable on the current market value of the property in place of the consideration paid. The guidelines specify the norms to be followed for broad classes of land

<sup>5</sup>For a discussion of the tests of reasonable classification see NIPFP (1982), paras 3-70, 4-17 and 4-18.

in every town and village and for each survey number in each village. The change in law made in 1967 was challenged in writ petitions but was upheld by a Division Bench of the Madras High Court.<sup>6</sup> It is to be noted that under this system if the value shown in the deed to be registered falls below the norm, the case is referred to the collector of the district for valuation whereas if the disclosed valuation is according to the norm, it is registered straightaway. The guidelines formulated in 1969-70 were revised in 1980-81 and have again been challenged. Though the petitions have been admitted for hearing, it is understood that no stay has been granted against the operation of the guidelines since in the event of any downward revision ordered by the court, the excess of stamp duty paid, if any, will be refunded. Thus there should be no legal impediment to the operation of norms so long as they are not regarded as binding on the taxpayer. Guidelines for assessment of new properties are also in operation in Bombay. These guidelines are revised from year to year and seem to be working well. The administration of the property tax can be improved considerably and the scope for subjectivity reduced if even norms or guidelines by way of minimum values are laid down.

Formulation of such minimum value too would also call for some effort. It will require collection of information regarding rents on a systematic basis and sifting such information so that the norms can be based on good evidence. Even allowing for the operation of rent control and widespread suppression of facts relating to transactions in housing, a lot more information on rents can be obtained with a little effort. It is not as if correct information on rent is always suppressed or can be suppressed in every case. In all cities accommodation is hired on a large scale by government and semi-government agencies and also by reputed concerns in the private sector. Besides, rent receipts are often used by tenants for their own purposes, like drawing house rent allowance or getting deduction for income tax and, thus suppression of facts regarding rent is not always advantageous to them. Seldom are facts regarding rent verified or supported with documentary evidence in municipal assessments. Quite often the municipalities are unable to sustain their assessments simply for lack of any written statement regarding rent received or paid by the landlord and the tenant, or about the area and specification of the property. There are provisions in most municipal laws requiring submission of returns by landlord and tenants at the time of revision of assessment. No action is ever taken to enforce these provisions. A lot more reliable information on rents would start flowing in if these

<sup>6</sup>State of Tamil Nadu, vs. T.N. Chandrasekharan, W.P. No. 2563 of 1970 decided on November 21, 1972.



provisions were applied in practice. Property tax assessments can improve a great deal if only such information was available, while in the absence of such information the regressions can be of no avail. Indeed, it would pay much more dividend if efforts were directed to the enforcement of the existing provisions rather than looking for new techniques of valuation.

Meanwhile the tax can be levied on a standardised base with reference to the area at least in the case of properties under commercial use. Such a levy cannot be opposed on grounds of equity. Critics of standardisation in property tax assessment fail to appreciate that determination of true values is next to impossible in the real world especially under conditions prevailing in a country like India and the margin of error can be too high to be regarded as acceptable. In such circumstances standardised assessment may be less inequitable than taxation on a base which unavoidably involves a large element of subjective judgment.

Indeed, the case for standardised assessment can thus be argued not as a better approximation of market values but as an alternative base for property taxation which may be superior in several respects to the existing base. Such a tax would, of course, derive its rationale partly from the benefit principle and that can be invoked more with greater force in the case of commercial use of properties. Once it is explicitly recognised as the *base* and not as a means to arrive at some other base related to market value or rent, it will not be necessary to demonstrate the closeness of the assessed value to 'true' market values. Since it can also be used as an instrument of urban planning (e.g., inducing optimum use of urban land and/or dispersion from congested city centres), and the absence of classification beyond a point can be explained with reference to the objectives in view, tests of reasonable classification as laid down by the courts in India for meeting the requirements of Article 14 of the Constitution would also be satisfied. Given the realities, there seem to be simply no way of improving the yield of the property tax efficiently and equitably. The revenue for the tax may go up dramatically if only the properties under commercial use would be assessed properly. Rough calculations show that even at moderate rates an area-based property tax can bring about a sixfold increase in the revenue realised from the private markets in Calcutta. These markets are known to be a source of fabulous income to the owners but their contribution to the corporation remains meagre since these incomes cannot be taken into account in their assessment for lack of evidence.

## CONCLUSION

In short, refinements of valuation through techniques like regression are not going to be of much avail so long as the assessments are based on either the 'actual' or the 'fair rent' as contemplated in the rent control laws. Taxation on an area basis would no doubt help to remove many of the anomalies and inequities of the present system and may also have some wholesome economic effects. But such a reform would call for a more radical change in the basis of municipal taxation and the system of collection. Any such attempt may be questioned on equity grounds and prove difficult to push through as it may lead to hardship in the case of owners of relatively small means. However, these arguments cannot be invoked against standardised assessment for properties in commercial use. Reference in this direction may pay rich dividend quickly. For residential properties, the only way to improve the assessments within the existing framework is to improve the data base of rental and capital values. Given the will, this is not an impossible task. □

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# *Financing the Integrated Development of Small and Medium Towns: A Case Study of Hospet*

GANGADHAR JHA

DECENTRALISED URBANISATION and balanced urban growth has been advocated in various forums and official documents in India by restricting the growth of primate cities and by providing a fillip to the growth of small and medium towns through planned public intervention.<sup>1</sup> This ultimately actualised in 1979 when the programme for integrated development of small and medium towns was finally conceived as a sponsored programme of the central government.<sup>2</sup> The programme envisages 'integrated development' of about 231 small and medium towns with a population of less than 100 thousand according to the 1971 Census. An allocation of Rs. 960 million has been made in the Sixth Five Year Plan for this programme. Responding to the guidelines issued by the central government, the state governments have submitted a number of project reports for the selected small and medium towns. Till January 1983, as many as 222 projects involving an investment of Rs. 1797.60 million have been sanctioned and the central assistance to the extent of about Rs. 281 million has been released by the central government.<sup>3</sup>

The Integrated Development of Small and Medium Towns (IDSMT) is seemingly an important policy decision for the development of hitherto neglected small and medium towns as growth centres for providing employment opportunities to the rural migrants of the

<sup>1</sup>Government of India, Ministry of Works and Housing, *Report of the Task Force on Planning and Development of Small and Medium Towns and Cities*, Vol. 1, 1977, pp. 89-90; Government of India, Planning Commission, *Third Five Year Plan*, p. 689; *Fourth Five Year Plan 1969-74*, p. 398; *Draft Fifth Five Year Plan 1974-79*, Vol. I, p. 2; and *Draft Sixth Five Year Plan 1978-83 (Revised)*, 1979, p. 457.

<sup>2</sup>Government of India, Ministry of Works and Housing, *Integrated Development of Small and Medium Towns—Guidelines*, December, 1979.

<sup>3</sup>Based on information collected from the Town and Country Planning Organisation, Government of India.

surrounding areas as also for integrated development of its hinterland and integrated provision of services and amenities in these towns. However, effectuation of its goals and objectives depends upon a host of factors, the most important among them being: (a) the nature of programme content, (b) financial support, and (c) managerial response given to this programme. The flow of funds being the most crucial factor for successful accomplishment of a programme, this paper is an attempt to study the financing of the IDSMT programme. It, therefore, first analyses specific features of the financing pattern of the IDSMT programme. Subsequently, it deals with actual financing of the project through a case study of the Hospet IDSMT project for evaluating the flow of funds for capital investment and operation and maintenance. On the basis of this case study, the paper makes certain generalisations which, it is felt, are relevant for project financing and hence for effectuation of the programme objectives elsewhere too.

#### IDSMT : THE FINANCING PATTERN

As mentioned earlier, the IDSMT programme is a centrally sponsored programme wherein financial assistance is given to the state governments on a matching basis for the components under the 'central sector'. For this purpose, according to the 'guidelines' of this programme, each project has to have both the central and the state sectors for which the components of urban development have been pre-determined. The central sector, for example, contains components like land acquisition and development (including site and services), traffic and transportation (including construction and improvement of roads, but excluding the purchase of motor vehicles), development of mandies, markets, industrial estates, and provision of other service and processing facilities for the benefit of agricultural and rural development in the hinterland.<sup>4</sup> Components like slum improvement, urban renewal, small scale employment generation activities, low cost solutions for water supply, sewerage, drainage and sanitation, public health and health care, parks, playgrounds and modification of city master plans with a view to permit the mixed land use, include the state sector.

The central financial assistance made available to the states is limited to only fifty per cent of the total central sector project cost with a ceiling of Rs. 4 million. This has to be matched by state contribution. In addition to this, the entire cost of the state sector

<sup>4</sup>Government of India, Ministry of Works and Housing, *IDSMT—Guidelines*, December 1979.

components have also to be met from the state funds. It is worth mentioning that the thinking behind this pattern of project financing was the idea of spending about Rs. 10 million in each selected town. Hence, when the programme was operationalised, it was thought desirable to restrict the quantum of central assistance to a ceiling of Rs. 4 million so that a large number of towns could be brought under the IDSMT programme. This led to an altogether new pattern of financing the IDSMT project. To give an illustration, assuming the total central sector project cost of Rs. 10 million, Rs. 4 million comes as the central financial assistance, another Rs. 4 million has to come from the state funds and the remaining Rs. 2 million has to be mobilised by the municipal authorities of the concerned towns.

With this pattern of financing the IDSMT project, let us now turn to analysis of actual financing of the Hospet project. But before we plunge into this, a brief account of the Hospet project would be desirable.

### THE HOSPET PROJECT

Located in Karnataka, Hospet is a small town with a population of about 90.5 thousand according to the 1981 Census count. But it has pronounced economic activities which has been attracting the commuter from the surrounding rural areas. Firstly, it happens to be the centre of tourist attraction because of the historical ruins of the Vijay Nagar empire at Hampi, a place located at a distance of 15 kms. from Hospet and the famous Tunga-Bhadra dam located at a distance of 4.5 kms. from Hospet. The tourists flocking to these tourist resorts, make Hospet, the only town in the neighbourhood, as their dwelling place. Only because of this Hospet has an additional day time population of about 4000.<sup>5</sup> Secondly, the Tunga-Bhadra dam, providing an assured source of irrigation, has boosted the agricultural prospect of the region and rich crop of sugarcane has further boosted the related activities of crushing mills and distillery. A fish rearing farm at Tunga-Bhadra has also increased the economic prospects of Hospet. Thirdly, Hospet happens to be the richest in iron ore in the world. Mining activities are, therefore, abounding around Hospet. Workers engaged in these mining activities commute to Hospet for their shopping needs. Fourthly, Hospet happens to be the centre of trade and commerce. It fulfils the shopping needs of

<sup>5</sup>Gangadhar Jha and R.K. Wishwakarma, *Issues and Policy Options for Resource Mobilisation and Urban Administration in a Small and Growing Town: A Study of Hospet*, prepared for the National Workshop on Hospet and its Environs 2001 AD, Institute of Social and Economic Change, Bangalore, July 5-7, 1982.

population residing in a radius of about 30 sq. kms. Finally, Hospet has come to stay as an industrial town on a modest scale. Tunga-Bhadra Steel Project, India Sugar and Refinery, Pompa Distillery, Indian Hume Pipe are some of the major industries which provide employment opportunities for its residents and also for those residing in its hinterland. A steel plant in the public sector is being set up right at the doorstep of Hospet which will have a population of about half-a-million by 1991.

As the 'guidelines' seem to contain the two fold objectives of integrated development of the town and its hinterland (integrated area development) and also the integrated provision of services, the project of Hospet is expected to contain proposals and components which would facilitate the Hospet town in better performance of its economic role in the hinterland and would bring about the provision of interrelated services at the town level. There is an explicit recognition of this in the project report—"Urban development is a multi-sector activity which calls for integrated approach to various sectors of development".<sup>6</sup>

Let us now examine the IDSMT project of Hospet in the backdrop of above-mentioned regional functions and importance of the town. It is worth noting that the central sector components of urban development, as mentioned in the 'guidelines', seem to have been primarily conceived for strengthening the regional role performance of towns for articulating the growth impulses in their areas of influence. But the components mentioned in this sector in the Hospet project report include acquisition and development of land for four residential schemes proposed earlier in the Outline Development Plan for Hospet, construction of two roads in the town and 108 stalls and 30 shops "dealing in agricultural produce for the fertile irrigated rural hinterland".<sup>7</sup> Obviously, with components like these, the fulfilment of the first objective of promoting the integrated development of the town and its hinterland does not seem to materialise even remotely.<sup>8</sup>

The state sector components include slum improvement, water supply, improvement of parks, construction of a stadium and a 100 bed hospital. The central sector components cost about 3.5 million

<sup>6</sup>Government of Karnataka, Department of Town Planning, *Integrated Programme for Hospet, 1980-83, Project Report*, Project Division, Bangalore, August 1980, p.6.

<sup>7</sup>*Ibid.*, p. 14.

<sup>8</sup>For conceptual overtures of the IDSMT programme and the issues for implementation processes, see Gangadhar Jha, "Integrated Development of Small and Medium Town: Some Conceptual and Policy Issues, Paper contributed at the *National Seminar on Integrated Development of Small and Medium Towns*, IIPA, New Delhi, March 18-19, 1982.

and the state sector about Rs. 13.7 million (see Table 1). According to the phasing of the project, Rs. 1.76 million was to be invested in the central sector schemes and Rs. 1.70 million in the state sector.

TABLE 1 COMPONENTS OF THE IDSMT PROJECT, HOSPET

(Rs. Lakhs)

<i>Project Components</i>	<i>Implementing Agency</i>	<i>Cost</i>	<i>Outlay for 1980-81</i>
<i>A. Central Sector</i>			
1. Land Acquisition and Development	CIB	20.07	2.84
2. Transportation and Communication (Road construction and widening)	HCM	5.14	5.14
3. Development of Mandies	HCM	9.63	9.63
TOTAL 'A'	—	34.84	17.61
<i>B. State Sector</i>			
1. Slum Improvement	HCM	9.23	3.33
2. Water Supply	HCM	85.00	6.00
3. Improvement of Parks	HCM	2.00	0.66
4. Construction of Stadium	HCM	10.00	2.00
5. 100-Bed Hospital	HCM	31.20	5.00
TOTAL 'B'	—	137.43	16.99
GRAND TOTAL (A+B)		172.27	34.60

NOTE: CIB=City Improvement Board, Hospet

HCM=Hospet City Municipality

SOURCE: Integrated Development Programme for Hospet, 1980-83, Project Report.

## PROJECT FINANCING : AN EVALUATION

An evaluation of financing of the Hospet project has to be done in relation to the central assistance, state's contribution and mobilisation of resources by the local implementing authorities, viz., the Hospet City Municipality (HCM, and the City Improvement Board, Hospet (CIB).

*Central Assistance*

As the central assistance is limited to fifty per cent of the total cost of the central sector projects, the central financial assistance seems to be inadequate for achieving the objectives of the IDSMT programme especially at the regional level. If there has to be an 'integrated' development of the town and its rural hinterland, the

financial allocation has to be substantial for including such projects which would enhance the role performance capabilities of the town. As mentioned earlier, the total cost of the central sector projects in Hospet is Rs. 3.48 million of which Rs. 1.74 million has to be released by the central government, and the remaining fifty per cent has to be allocated by the state government of Karnataka. The central sector projects and its cost have already been approved by the central government. It may be mentioned that even though the central financial assistance seems to be inadequate for achieving the programme objective, the state government of Karnataka could well have submitted a project costing up to Rs. 10 million in this sector so that it could have received Rs. 4 million from the Government of India. An investment at this scale could well have made some dent on expanding the job and income opportunities in the Hospet town and thus enhancing the economic strength of its rural hinterland also.

The project report of the Hospet indicated a total capital investment of Rs. 1.76 million in the first phase during 1980-81. A sum of Rs. 0.88 million was, therefore, released to the state government in January, 1981. According to the condition stipulated in the 'guidelines', the next instalment of the central financial assistance can be released only after the state government submits a progress report in physical and financial terms alongwith the cash utilisation certificate of the previous instalment. The state government of Karnataka has not yet submitted such report to the central government so that the subsequent instalment has not yet been released by the Government of India. This indicates the pace of implementation of the IDSMT programme in Karnataka in general and in Hospet in particular.

### *State's Contribution*

Major burden of bearing the capital investment for the IDSMT seems to fall on the state finances as, besides matching the central financial assistance in the central sector, the entire capital cost in the state sector has to be met out of the state funds except a small proportion of financial contribution by the local implementing authorities. Even the central assistance is given as loan to the state government which, according to the 'guidelines' are accountable for its proper utilisation and repayment by the implementing agencies. If, however, the central funds as also the states' own contribution are passed on to the implementing authorities as loan, the ultimate incidence of the entire capital investment would fall on the local authorities. In the case of Hospet, it is not yet known whether the central funds have been passed on to the local authorities as loan or as grant. But the Karnataka government's own contribution has been given to them



as loan. So for a sum of Rs. 0.9 million has been released by the state government to the local authorities for accomplishing the first phase target for 1980-81.

The 'guidelines' require the state governments to prepare a 'capital budget' for urban development in the states by providing the total financial outlays in the budget including the central allocation of funds. Actual provision for urban development in the Government of Karnataka's budgets since 1980-81 is not known. However, during 1980-81 an amount of Rs. 20 million was earmarked by the state government as development grant to municipal authorities and about Rs. 0.8 million was earmarked as loan to the Karnataka Urban Water Supply and Drainage Board. These figures do not give any indications of the fund for urban development under the IDSMT as the grant to municipal authorities are usual features in the state budget irrespective of the IDSMT programme.

#### *Local Financial Mobilisation*

From the analysis of central and state funds for IDSMT, it is obvious that ultimately the financial burden has to be borne by the implementing agencies, especially the municipal authorities, firstly, because of its liability to repay the loan received from the state government for financing capital investments in both the central and state sectors. Secondly, all the projects, including those implemented by the CIB have to be maintained by the HCM which will impose additional fiscal burden for operation and maintenance of the created capital assets.

Although, the newly created capital assets would also provide additional sources of revenues for the HCM, the liabilities are expected to exceed the assets. In order to have an insight into the liabilities of the HCM, one has to have a wider view of its finance in relation to its expenditure commitments.

According to the Outline Development Plan of Hospet, which has already been approved by the state government, the urban area is to increase from 463.90 hectares in 1980 to 1963 hectares in 1991. Hospet town would then have a population of 2 lakhs. In addition to its own population, the HCM would also have to cater to the need of the spill-over population of the steel township which would have a population of 5 lakhs by 1991. The floating population would then increase to about 20,000 from the present 10,000<sup>9</sup> putting additional demand for civic services.

Against this scenario of anticipated manifold increase in its expenditure commitments, the revenue expenditure of the HCM in

<sup>9</sup>Gangadhar Jha and R.K. Wishwakarma, *op. cit.*

real terms has declined by more than 20 per cent between 1971-72 and 1979-80 (Table 2). Per capita expenditure, in real terms has declined from Rs. 27 to about Rs. 14.31 in 1979-80. This suggests that there has not been any augmentation of municipal services in Hospet. This has been primarily because of inadequate revenues of the HCM. The revenue in real terms has in fact declined between 1971-72 and 1979-80 (Table 3). The situation relating to capital expenditure is also not bright.

TABLE 2 TRENDS IN REVENUE EXPENDITURE OF HOSPET CITY MUNICIPALITY AT CURRENT AND CONSTANT PRICES

Year	Expenditure at Current Prices (Rs.)	Per cent Growth	Expenditure at Constant Prices (Rs.)	Per cent Growth	Per Capita Expenditure at Current Prices (Rs.)	Per Capita Expenditure at Constant Prices (Rs.)
1971-72	18,48,782 (100.00)	—	17,60,744 (100.00)	—	28.36	27.00
1975-76	19,88,162 (107.54)	+ 7.54	11,30,922 (64.23)	—35.77	26.38	15.00
1976-77	20,03,470 (108.37)	+ 0.77	11,62,165 (66.00)	+ 2.76	25.63	14.87
1977-78	24,61,002 (133.11)	+22.84	13,27,401 (75.39)	+14.22	30.36	16.38
1978-79	23,95,495 (129.57)	— 2.66	12,94,862 (73.54)	— 2.45	28.50	15.41
1979-80	25,66,828 (138.84)	+ 7.15	12,46,030 (70.76)	— 3.77	29.48	14.31

NOTE: 1. Expenditure has been deflated at the 1970 wholesale price (1970=100).  
2. Figures in parentheses represent Index of Growth (1971-72=100).

The net result of this is a deplorable level of civic services presently obtaining in Hospet. Water supply is at the level of 9 gallons per capita per day, roads are not properly maintained, several roads are not even metalled and paved and sanitation situation is deplorable with open drains and piling of garbage. Lack of resources has been hampering the performance of even the obligatory functions by the HCM. The civic body has landed in such a situation that it does not have any hesitation in suggesting to the state government to fully take over the provision of civic services in the town.<sup>10</sup> Providing medical relief and electricity to the citizens appears to be beyond its financial capabilities and hence it requested the state

<sup>10</sup>Gangadhar Jha and R. K. Wishwakarma, *op. cit.*

government to take over these functions. Elementary education already taken over by the state government and water and sewerage also coming under the state level Karnataka Urban Water supply and Drainage Board, there would hardly be left anything worth calling it a 'local government'.

TABLE 3 TRENDS IN REVENUE INCOME OF HOSPET CITY  
MUNICIPALITY AT CURRENT AND CONSTANT PRICES

Year	Revenue at Current Prices	Per cent Growth	Revenue at Constant Prices	Per cent Growth	Per Capita Revenue at Current Prices (Rs.)	Per Capita Revenue at Constant Prices (Rs.)
1971-72	21,58,624 (100.00)	—	20,55,832 (100.00)	—	33.11	31.53
1975-76	26,30,302 (121.85)	+21.85	14,96,190 (72.78)	-27.22	34.90	19.85
1976-77	27,15,097 (125.78)	+ 3.22	15,74,882 (76.60)	+ 5.26	34.74	20.15
1977-78	27,91,800 (129.33)	+ 2.83	15,05,825 (73.25)	- 4.38	34.45	18.58
1978-79	32,69,008 (151.44)	+17.09	17,67,031 (85.95)	+17.35	38.89	21.02
1979-80	35,11,919 (162.69)	+ 7.43	17,04,815 (82.93)	- 3.52	40.34	19.58

NOTE: 1. Revenues have been deflated at 1970 wholesale prices (1970=100).  
2. Figures in parentheses represent Index of Growth (1972=72=100).

Thus the HCM is first required to remove the existing deficiencies in municipal services and then to mobilise additional resources needed to cater to the needs of increasing population in future and also to maintain the IDSMT projects. According to a separate detailed study of municipal finance in Hospet, the HCM requires Rs. 75.08 lakhs to be spent per year to provide a desirable level of services for a population of 90,605 registered in 1981<sup>11</sup>. Its revenue expenditure being Rs. 25.67 lakhs in 1979-80, the expenditure gap was to the extent of Rs. 49.41 lakhs. As its revenue receipt in 1979-80 was to the extent of Rs. 35.12 lakhs, there has to be a mobilisation of additional Rs. 39.96 lakhs to remove the existing deficiencies in services. In order to serve a population of 2 lakhs in 1991 and 3 lakhs in 2001, the HCM shall have to incur an expenditure of Rs. 82.86 lakhs and Rs. 248.58 lakhs respectively at existing prices.

<sup>11</sup>Gangadhar Jha and Wishwakarma, *op. cit.*

It is worth mentioning that these estimates relate to revenue expenditure only. Capital investments needed to augment water supply, sewerage and other public utilities are exclusive of above estimates as these cannot be estimated even approximately. However, we know for certain that under the IDSMT, a capital investment of Rs. 172.27 is going to be made in the Hospet town. This would require an additional amount of Rs. 20.67 lakhs to operate and maintain the IDSMT projects.<sup>12</sup> To this have to be added the funds required to repay the loan received for IDSMT projects. These taken together give a staggering amount of additional financial resources.

In view of the existing state of municipal finance in Hospet town in particular and in Karnataka in general, there does not seem to be any scope for mobilisation of resources at the local level, firstly, because octroi, the backbone of municipal finance, is already abolished in Karnataka and the consequent loss in revenue has not yet been properly compensated for and, secondly, the property tax is based on an obsolete assessed value determined as far back as in 1970. Even if the valuation and assessment of properties are frequently updated, the influence of the rent control legislation will continue to have adverse impact on it. In any case, property tax alone would not serve as the instrument for mobilisation of financial resources at the scale mentioned above.

The case study of the Hospet project thus brings the financial implications of the IDSMT programme into sharp focus. It suggests that this new programme of developing the small and medium towns was launched without giving adequate thinking to the vital implementation policy processes. The local financial implications of this programme, the ways and means of mobilisation of resources at the local level should have been visualised well before the launching of the programme and concurrent action should have been initiated to devise new source of municipal revenues as also a new pattern of fiscal transfer from the higher levels of government to the municipal authorities for taking care of both their revenues and capital expenditure needs. A programme like the IDSMT having financial ramifications, especially for the municipal authorities also requires to adopt new methods of financial planning and management practices at the local level. Juxtapositioning of the traditional budgetary procedures alongside the novel policy of corporate planning approach adopted in a big way in the UK, after the reorganisation of the local government during the seventies was one of the important reasons for the

<sup>12</sup>Estimated on the assumption of 12 per cent of the capital cost generally required for maintenance.

tardy progress of corporate planning.<sup>13</sup>

Integrated development approach inevitably requires to develop "forms, methods and procedures or organisations which allow necessary interaction of all critical factors at appropriate time."<sup>14</sup> The IDSMT programme, in order to be an integrated programme, should also have tried to integrate the strategic policies for effectuating translating the goals and objectives of the programme. This has apparently been lacking in the IDSMT programme.

The 'guidelines' suggest the state governments to ensure proper maintenance of the infrastructure and other created facilities. It also requires the project reports to contain information on the extent of mobilisation of resources at the local level by way of enhancements of the existing rates and taxes and proposals for the new levies. But these suggestions have been conveniently sidetracked by the state governments and the state town planning departments in the project reports. As an illustration, neither the Government of Karnataka has taken any positive step to provide for the maintenance of assets to be created under the IDSMT, nor is there any mention of the ways and means of mobilising municipal finance in the Hospet project report. It took about a couple of years for the Government of Karnataka to open a budgetary head in the state budget for showing the central financial assistance and the urban development fund earmarked by the state government thus delaying the implementation of the programme. It is worth mentioning that out of 16 IDSMT projects sanctioned in Karnataka, not a single town has approached the central government for the release of the second instalment.

Likewise, the Hospet project report does not give any account of the local resource base and its mobilisation for financing the capital investment and the operation and maintenance of the created assets. In the name of ways and means of augmenting the municipal finance, it simply mentions the total revenue income and revenue expenditure of the HCM followed by a ritualistic observation that "Adequate provision will be made by the City Municipal Council, Hospet and the implementing agencies for general maintenance" But the present state of municipal finance in Hospet does not seem to be sound enough to sustain the IDSMT projects either in terms of capital

<sup>13</sup>Chris Skelcher, "Corporate Planning in Local Government" in Steve Leach and John Stewart (eds.) *Approaches in Public Policy*, for the Institute of Local Government Studies, University of Birmingham, George Allen and Unwin, London, 1982, pp. 36-51.

<sup>14</sup>United Nations, Economic Commission for Europe, Committee on Housing, Building and Planning, *Report of the Seminar on Integrated Physical, Socio-Economic and Environmental Planning*, June 18-22, 1979, Bergen, Norway.

investment or by way of maintenance. The HCM seems to have been discriminated against even in conceiving the nature of projects to be implemented by the HCM and the CIB. The remunerative scheme of land development has gone to the CIB which is expected to fully recoup the capital cost by disposing of the developed plots. This is an indication of the existing policy of encouraging special purpose authorities for urban development at the cost of weakening the urban local government system. For a size of a town like Hospet, there does not seem to be any justification for bringing in the CIB. The personnel and the funds being made available to the CIB could well have been diverted to the HCM for strengthening it to take the urban development schemes in the town.

### CONCLUSION

The case study of the Hospet project and its financing thus firstly suggests that the project report has not been prepared according to the central government's 'guidelines'. The components identified and included in the project report in the central and state sectors are unlikely to achieve the objectives of either integrated area development or the integrated provision of services. One of the most important reasons for this is financial in nature. The central assistance with a ceiling of Rs. 40 lakhs is not expected to inject the missing links in the components of development which could have a dent on strengthening and facilitating the role performance of the town in its area of influence. The state government in Karnataka could not avail of even this limited assistance probably again because of financial stringency obtaining at the state level.

Secondly, the IDSMT programme has not been conceived as a critical programme for solving the problems of Hospet town. This is evident from the not-so-serious intention of the state government in providing support system to this programme in terms of ensuring the regular flow of funds for capital investment and operation and maintenance expenditure. The first phase programme for 1980-81 does not seem to be complete even now as the central government has not yet been approached for release of the second instalment of financial assistance.

If this programme has to be a meaningful programme, finally, the approach to project formulation has to be different from the existing practice. The town planning approach has to give way to development approach. A few vital and strategic schemes for the development of the region have to be selected depending upon the nature of regional function and the interface between the town and the hinterland. The development departments of the state govern-

ments have to be duly consulted at the preparation stage of the blue print for development so that they could participate in the integrated area development of the town alongwith their financial allocations. Likewise, at the settlement level, the various functional departments of the field administration operating in the town have to be roped-in alongwith their schematic budgets for the provision of inter-related services in the town.

Secondly, policies for refurbishing the municipal finance and institution have to be devised as an important appendage to the IDSMT programme. Any urban development scheme, whether the IDSMT programme or the implementation of city development plans, ultimately impinges on municipal finance and capabilities of the civic authorities. When the Corporation of Calcutta and the Municipal Corporation of Delhi have not been able to maintain some of the projects completed by the CMDA and the DDA respectively, not much can be expected from the municipalities of the small and medium towns where the civic finances are already in a very bad shape. In order to be an integrated programme, the policies for mobilisation of resources at the state and local levels also need to be integrated into the programme.<sup>15</sup> □

<sup>15</sup>United Nations, Centre for Regional Development, Expert Group Meeting on the Role of Small and Intermediate-Sized Cities in National Development, *Report of the Meeting* held at Nagoya, Japan from January 26 to February 1, 1982.

# *Solid Waste Management: Present Status and Future Prospects*

P. S. A. SUNDARAM

THE PRESENT paper describes the structure and role of the authorities and agencies concerned with solid waste management in India. Certain new developments in the institutional field are then traced and future prospects in this area are highlighted.

## ORGANISATION AT THE CITY LEVEL

The municipal bodies in India are entrusted under law with the obligatory function of conservancy or public cleansing and scavenging work. The term 'solid waste management', in the sense of a total system covering all processes from the collection to the disposal stage for all types of refuse, not to speak of resource recovery, is not in vogue in most municipalities, nor does it find a place in legislation or executive orders relating to sanitation. In the Indian context where sewerage facilities are available only to about 19 per cent of the urban population, that too mainly in Class I cities, a considerable portion of the latrines are not connected to the sewer system, nor are they of the water-seal type. Besides, a significant percentage of the population use public latrines. Conservancy, in these circumstances, includes both the solid waste and nightsoil.

The conservancy activity is usually entrusted to the health department of the municipality in almost all cities. This is because of the association of sanitation and public hygiene with Public Health—the latter subsuming other activities like prevention of diseases, licensing, slaughtering of animals, running of hospitals, etc. The health officer is assisted by a number of sanitary inspectors. The city is divided into a number of administrative divisions, each comprising a few electoral wards. One sanitary inspector is placed in charge of a division and supervises all operations relating to collection and storage of waste. The transport of waste is done by mechanised and non-mechanised modes to disposal sites within or outside the municipal



limits. The nightsoil and garbage are usually dumped in the same disposal site. The transport vehicles are maintained by the engineering wing. In some major corporations like Delhi, the conservancy wing is separated from public health and placed under an engineer, called the Director of Conservancy.

For street sweeping, collection of refuse and for loading and unloading the refuse from the vehicles, the municipalities employ a large number of conservancy staff. Some of them also undertake the collection of nightsoil and cleaning of latrines, both public and private. The normal practice is that the householder dumps the house refuse in a dustbin located nearby on the side of the street. The municipal sweepers also sweep the roads and footpaths, collect it in their bins, and dump it in the dustbins. The garbage stored in the bins is loaded by the conservancy staff on to bullock carts (in smaller towns), or trucks which call at least once a day near each collection point. In certain cases, garbage is transferred from the bins located in the narrower streets by the civic staff in large barrows to the main streets for further transport. In market areas, slaughter houses and public places, the municipal sweepers collect the garbage and store it in a large central bin to be transported away. The nightsoil in unsewered areas is transported in wheel barrows to collection points from where it is carried away to the dumping site.

A survey of 200 municipal bodies of cities of all sizes revealed that the percentage of conservancy to total staff varies from 44 per cent in the lowest size to 66 per cent in the class I cities. In terms of the number of conservancy staff employed per 1000 population, however, the local bodies are inadequately staffed, the figure ranging from 4.6 to 5.5. The cities in the population range of 50,000 to 100,000 were found to employ the maximum staff. Conservancy accounted for 26 to 30 per cent of total municipal expenditure on all services. Some bigger municipal bodies spent as much as 60 per cent on conservancy. It was found that the system was biased towards collection of garbage up to the bins in smaller towns, instead of laying more stress on collection from the bins and adequate disposal.

#### COLLECTION OF COMMUNITY WASTES

Community wastes collected in urban towns are made up of heterogeneous materials. These contain articles and things of various sizes and types from the dust of the roads to large metal containers; from vegetable leaves to fragments of wood; from pieces of paper to large paper-board cartons; from glass bottles to worn out tyres; from fragments of bones to carcasses of animals; clothing, cotton, residue of fruits and vegetables, etc. The character of refuse often depends

on the type of activities carried on in the towns. Roughly 50 per cent of the refuse is found to be fermentable. The density of the refuse is around 500 kg./cubic metre. It is estimated that the output of urban refuse amounts to about 0.3 kg. of household refuse, city wastes and commercial wastes, 0.2 kg. of nightsoil and 0.8 kg. of urine per head per day. The quantity of dry refuse is higher in bigger cities and compares with countries in Europe. In addition to these components, other items like cattle wastes, slaughterhouse wastes, sullage water, sewage sludge, etc., are important in bigger cities. In overall terms, the refuse collected from urban areas would be about 33,000 tonnes per day or 12 million tonnes annually, besides 22,000 tonnes of nightsoil per day. The manurial value of the refuse and nightsoil would be about 212,450 tonnes of nitrogen, 137,965 tonnes of phosphoric acid, 181,785 tonnes of potash and 658,800 tonnes of calcium.

The refuse collected from various points is disposed of by different methods in different towns, viz., dumping, sanitary landfill and composting. Majority of smaller municipal bodies adopt dumping due to non-availability of mechanised forms of transport. Generally, the low-lying areas and the outskirts of the towns are used for this purpose. However, they constitute a health hazard and become a breeding ground for flies and mosquitoes. Sanitary landfill is properly practised only in larger cities like Delhi.

For preparing compost from the refuse, both manual and mechanical methods are used. However, the manual process is more prevalent because of the lesser cost and skilled staff needed. There are two types of manual composing used; the Indore process and the Bangalore process. In the Indore process, nightsoil mixed with street sweepings and domestic refuse are placed in a shallow, or masonry pit in alternative layers, each three inches thick, up to a depth of five feet. The material is turned in the pit for every two weeks for a period of eight weeks, and then stored on the ground beside the pit for a month without turning. The composting action is both aerobic and anaerobic. In the other process, a number of earth trenches is constructed. The fresh material is placed in alternative layers and eventually covered with earth. Instead of turning over, the material is digested under anaerobic conditions over a period of five to six months. The average nitrogen value of the compost is 2 per cent. Many cities produce compost by either of these processes which is sold to the agriculturists nearby. They earn an income ranging from \$15,000 to \$20,000, often exceeding the cost of preparation of the compost. With better management of the operation on scientific lines, and with greater financial assistance from the government, both the revenue and output would be higher.

Mechanisation in composting has been introduced in a number of big cities with the objective of speeding up the processes of aeration and bacterial breakdown of materials and production of quality compost. It has been appreciated that an unmodified adoption of processes developed in western countries, in the Indian situation of labour surplus and the substantial vegetable content of the urban waste, is not suitable. The windrow composting has been preferred among the different processes despite its requirement of more land and labour. An expert committee drew up the guidelines for constructing mechanical compost plants suited to Indian conditions. It was appreciated that it was not possible to operate such plants with a profit motive though they could be largely self-supporting. It was necessary to ensure the quantity of compost and its easy marketability. As suggested by the committee, assistance was provided by the central government during the Fifth Five Year Plan period in the form of capital subsidy and grants for infrastructure items to enable the construction of mechanical compost plants and the conveyance of adequate solid waste. So far, eight plants at Ahmedabad, Baroda, Bombay, Bangalore, Calcutta, Delhi, Jaipur and Kanpur cities have been commissioned. Some of the problems faced by the operating plants include high cost of production, lack of demand, inability to sell compost at the economic price. The whole experience is being evaluated by the National Environmental Engineering Research Institute in order to suggest suitable technology, scope for standardisation and reduction in costs, enrichment of the compost by other nutrients, improvement in marketability of the compost, better management of the compost plant, etc.

#### PROBLEMS AND PROSPECTS

It would be clear from the above narration that solid waste management in the accepted sense of the west is practised in very few cities in India. Conservancy has somehow been treated as a local function, to be discharged largely through local initiative and expenditure, and not calling for a major investment effort by the state government. The breakthrough came with the introduction of a scheme for central assistance in 1974 for assistance to cities with a population exceeding 300,000 to construct mechanical compost plants and to improve the infrastructure for solid waste management. This central government initiative resulted in the construction of some plants and generation of considerable enthusiasm for the management of the whole sector. The cessation of central assistance for compost plants has put a damper on major capital investment, since neither

the state governments nor the financial institutions have stepped in to fill the breach.

Despite the financial constraints faced by the municipal bodies for major capital investments for solid waste disposal, it has been increasingly realised by the bigger local bodies that much could be done with little investment to improve the systems of collection, storage, transport, refuse and disposal of urban waste. They appreciate that failure to deal with the ever increasing flow of liquid and solid wastes, arising from population growth and rapid urbanisation, constitutes an alarming threat to public health and environment. The approach has been to develop an integrated system with the objectives of: (a) improved cleanliness and reduced pollution of the environment; (b) eliminating the practice of manual handling of nightsoil and other urban refuse by the provision of suitable handling equipment and by installing low cost systems of sanitation, and (c) producing enriched compost for agricultural production, or a commercial form of energy. The local bodies also feel the necessity to treat urban wastes as a major material handling project where industrial engineering methods have to be employed. Through discussions in periodic meetings, and through advocacy, the central and state governments seek to buttress these new approaches.

Since the local bodies are creatures of state laws, basic changes in the existing law may be required to enjoin on the local authorities to ensure scientific and hygienic treatment and disposal of urban wastes. The law at present emphasises only the storage at generating points, collection therefrom, and transportation to the disposal venues; it is silent on the final disposal. The law is not sufficiently rigorous in respect of penalties for throwing rubbish indiscriminately by the householders or the vagrants. There is considerable variation in the provision of different state laws relating to urban waste. They are of an enabling nature, and do not exact a minimum performance from the local bodies in respect of service rendered, frequency of collection, and the method of disposal. The law does not cover the whole gamut of domestic, commercial, agricultural and industrial waste. There would thus appear to be need for a separate comprehensive law dealing with solid waste management, or at least a codification or the required provisions in the municipal law. Such a law could cover the entire waste management system at the local level, responsibilities and role of the local bodies as well as the state government, people's participation, rights and obligations of trade and industry, finance, institutional arrangements for training, research, data collection and dissemination. While the local bodies would be the sole executive authority in the field for the purpose, the state governments could assume responsibility for state level planning, overseeing

the implementation of schemes, administrative, technical and financial support, etc. The role of the central government could cover policy lead and guidance, development of central information system, promotion of indigenous technology, setting up of standards, research and training. They would also identify proposals for assistance by central government and foreign donor agencies.

Arising from the realisation of the need to integrate solid waste management with urban development, the World Bank assisted projects in Calcutta, Madras and Kanpur contain a component of solid waste management. This provides for an indepth study of the existing systems of waste management including solid waste, nightsoil and other liquid flows, as also the capacity of the existing civic body to manage the system with tolerable efficiency. On the basis of deficiencies identified by the study, investments are made for the procurement of equipment such as hand carts and wheel barrows to assist the conservancy staff, as also tippers, loaders, trucks and compacters for collecting and transporting the refuse. Transit collection stations are constructed in a hygienic fashion and the dustbins are erected imaginatively to avoid spillover of garbage and fly nuisance. Nightsoil collection is separated from the storage, collection, and transport of refuse. The problem is tackled in the short term by providing for 100 per cent removal of nightsoil from all households by conservancy staff provided with improved aids and by preventing the dumping of nightsoil anywhere except in designated spots. In the long run, efforts are being made in big way to convert all dry latrines to water-seal latrines connected to double chambers through a system of monetary incentives and municipal initiative. The UNDP is supporting the preparation of feasibility studies for selected towns.

#### MANAGEMENT OBJECTIVES

In Bombay and Delhi, as in other cities, it is recognised that solid waste management is much more than keeping the roads clean, and the activity is managed by an engineering wing in close coordination with the health staff. It is responsible for public cleansing, maintenance of vehicles and equipment, management of landfill sites and for composting. Of course, the fact that these two municipal corporations are comparatively more affluent enables them to devote more staff and resources to this activity. Nevertheless, the objectives similar to those set for itself by the Bombay Municipal Corporation represent the direction of future management of the sector are set out below:

- (i) Achieve complete removal of the refuse generated, by establishing reasonable frequency of complete removal for various

- types of collection points and regions.
- (ii) Maximise the use of manpower and equipment for the transportation of refuse by planning collection systems using fixed routes and standard programmes.
  - (iii) Rationalise the use of manpower for public road sweeping and for collection of refuse from public places.
  - (iv) Introduce a total change in collection equipment by employing low-loading height, closed body, mechanical-loading, compacting type vehicles.
  - (v) Increase the use of supplemental transportation of solid wastes (transfer stations) for economic transportation of refuse to final disposal sites.
  - (vi) Introduce sanitary land-filling method for disposal, and explore measures to put the refuse to fruitful use by making compost or forms of energy.
  - (vii) Establish separate facilities for refuse transport and other equipment maintenance for the solid waste management department for better and more systematic equipment management by providing new workshops and garages.
  - (viii) Provide an effective organisation by change in the present structure of management and a continuous personnel development programme.
  - (ix) Introduce a better system of planning and control by proper communication system such as control stations equipped with wireless and periodic reporting. Establish and operate public communication system.
  - (x) Establish a laboratory for the analysis of refuse to generate data on the trend of refuse quality for effective long range planning.
  - (xi) Provide housing and other facilities for the labour and supervisory personnel. Introduce a system of incentives.
  - (xii) Integrate solid waste management with health, slum improvement, road maintenance and other sectors.

Given these objectives of solid waste management, the problems and constraints faced by the local bodies also need to be appreciated. One is the almost universal inadequacy of funds to undertake a major overhaul of the system and meet the requirement of additional vehicles and equipment. Another is the generally low priority accorded to this sector despite the significant percentage of the revenue budget devoted to the conservancy services. The third is the lack of recourse to funds from the higher levels of government and financial institutions as far as the smaller municipalities are concerned.

## THE PROBLEM AREAS

Some of the other problems are:

- (a) Shortage of experienced and qualified staff to operate the total system at different levels;
- (b) The tremendous increase in the growth of population and expansion in urban areas ;
- (c) The emergence of slums, footpath dwellers and unauthorised settlements creates totally unhygienic conditions. Even when basic services are provided, it is not possible to maintain them due to lack of community support, unwillingness to pay service charges, and inadequate conservancy staff to meet the special problems of removing the refuse;
- (d) Due to overall increase in the educational standards and the perceived unattractiveness of the conservancy service, the manpower suitable for this work becomes scarce, and this strengthens the hold of the labour;
- (e) Unplanned developments and location of activities make collection of refuse difficult;
- (f) Public apathy and entrenched habits and attitudes relating to sanitation hamper an effective operation of the system;
- (g) Difficulty in acquisition of suitable lands for composting and for location of collection points; and
- (h) Lack of transport facilities to carry the refuse to disposal sites and problems of maintenance of vehicles and equipment.

A great deal of research has been done in the country on the recovery of energy from solid waste. In consonance with the emphasis placed by the international community on renewable sources of energy, the Government of India has set up a Commission for Additional Sources of Energy to support projects for generating additional sources of energy such as biogas and electricity from wastes.

The processes under investigation in Bombay and Delhi include:

- (a) using heat liberated during incineration to raise steam which can be used to generate electrical power;
- (b) decompose organic matter through the application of heat in an oxygen-free environment or with deficient air. This process of pyrolysis can yield fuel such as char and ash in varying quantities; and
- (c) biochemical processes involving anaerobic digestion of solid waste to produce methane gas of pipeline quality.

Thus, the central government is becoming intensively involved in the quality of solid waste generated in the cities and their fruitful utilisation as compost or energy. It has also offered to provide financial assistance for innovative schemes to recover energy from waste.

#### CONCLUSION

The above analysis would give an idea of the present status of solid waste management in different urban areas in India. In a country as vast as India, the conditions vary considerably. However, the general picture of predominant local responsibility for solid waste management, with whatever resources, attention and staff they could command, remains. Concrete assistance from the central and state governments in the form of funds, technical guidance and training for the personnel has been forthcoming in recent years. There has also been a conscious attempt to integrate this activity with general urban development and economic processes like manufacture of compost and generation of energy. ☐



# Training Strategy in Local Government : The Experience of Calcutta

B. CHAKRAVARTY

OF RECENT, several models for local government training have been developed<sup>1</sup>. The major attributes of these models concern the direct training of local government executives in various professional disciplines after a job-based training needs evaluation. Such an approach, however, has some limitations when applied in India. The reasons seem to be as follows:

- (i) *Societal Culture*: Since most of the models have been developed in the west, they embody the cultural assumptions of western societies with regard to the role of professionals in organisations, stability of public organisations, etc. These can seldom be called applicable to the Indian society. A specific example may be cited with regard to the assumption of stability of public organisations. In India, an assumption prevails that a public organisation (or a governmental institution) may not die. The state or the nation will always come to the help of such an organisation. Thus, instances such as the bankruptcy of the New York Municipal organisation do not occur in India.\* Obviously, therefore, the value of professionals and professionalism in New York City council and in an Indian municipal organisation will be, and are, quite different.
- (ii) *History of the Municipal Organisations*: In India, many of the municipal organisations were seen, because of their status as the first bodies in which colonial subjects could attempt self-governance, as forums for continuing the national liberation struggle. This is especially so in the case of Calcutta

<sup>1</sup>See, for instance, Dele, Olowo, "The Indigenisation of Management Education at the Local Level in Nigeria", *Nagarlok*, Vol. XIV, July-Sept. 1982, pp. 82-95.

\*This seems to be an error; what is true of New York is equally true of any city corporation in India. The roles of city professionals are different, though.

Corporation where many of the later national leaders fought their first political battle. As a result, the cultures of these organisations are for more rooted in outward-focused political manoeuvring than the case would, perhaps, otherwise be. And the total body of organisational members are quite politically conscious and aware of their rights and privileges as a result of such an organisational environment. Clearly then, in such organisations, objectives of urban regulation and service are overshadowed by other considerations.

- (iii) *Legal and Statutory Constraints:* In India, most municipal statutes are supervised and approved by the state governments. As a consequence, the municipal organisations have very little room to manoeuvre to put their affairs in order. Hence, references to the most common of subjects in municipal administration, such as, resource generation through revision of tax rates, or the imposition of new taxes, are seen as quite irrelevant by the municipal executive.
- (iv) *Management Model:* We have earlier indicated that a large part of the initial history of these organisations cover a period when they were, as embryos of the self-governance experiment, closely watched by the colonial power. Perhaps as a result of an organisational introjection of this history, the model of the management is that of an underdog, giving rise essentially to what is known as a reactive culture. Matters are not, of course, helped by the fact that even today, the state-municipal relationship is essentially of the same order. Thus management in these organisations is nearly always a compromising effort, with more emphasis on meeting real or imaginary demands, rather than a proactive stance of regulation and control as benefits a government, albeit local.
- (v) *Unionisation:* Most of the municipal organisations have a large number of trade unions. Numbers of fifteen to twenty are quite common, and in one large municipal organisation there are as many as thirtyseven quite active unions. Most of these unions are highly politicised and are really arms of the political parties in power either at the local government or the state level. These linkages obviously act as severe constraints for senior executives even in such matters as the transfer of workers from one work-site to another.

It is clear then that training strategy for local government organisations in India must be formulated with a conscious assimilation and examination of the various kinds of issues outlined above.

This paper presents in brief the training strategy developed for the municipal corporation of Calcutta after an extensive consultation of over four years. Also discussed are some of the more general insights developed during the exercise.

#### DEVELOPING A STRATEGY FOR TRAINING

The Corporation of Calcutta was an organisation without in-house training facilities, and, in response to the increasing demands being put on it, decided to invest in developing such facilities for its employees. Another contextual factor was the passing by the State Assembly of a new Municipal Act for Calcutta which envisaged large-scale decentralisation of municipal functions. This would require a much larger body of professionally-oriented and committed body of personnel than the corporation authorities thought they possessed. Therefore, here was a sense of urgency to the initiation of training activities. Initially, there were two organisationally held assumptions that had to be faced: (a) training is necessary for some selected departments whose efficiency ratings need to be improved; and (b) training is necessary only for lower level staff because they are unaware of the ways in which they can do their work more efficiently.

It is clear that the mandate derivable from the contextual factors as described and those derivable from the two assumptions were at variance. Therefore, the first step was to help the organisation examine this conflicting and inconsistent demand that it was placing on the consultants. A series of meetings were held at several levels where the implications of these two assumptions were discussed. These are clear enough. If one accepts the first of these assumptions then one must define and identify the particular departments whose efficiency rating is low. In the context of a municipal organisation in India, to objectively and unambiguously define 'efficiency' is, if not impossible, then nearly so. This is largely because: (a) there is hardly any data that relates to a consistent procedural efficiency (even simple actions like bill collections being affected by the operations of various interest groups), and (b) any efficiency measure that discriminates between departments has to be acceptable to both—again an almost impossible task. Thus, selection of a few departments would have to have been on the recommendations of a section of the organisation, and there was no way of guaranteeing that through such a process the consultants would not be doing a manipulative task, *i.e.*, discriminate explicitly between departments through the instrument of training. Therefore, acceptance of the first assumption was fraught with danger.

Let us then consider the second assumption which says that

training is necessary for the lower level staff because they are unaware of the more efficient ways of doing work. We may easily see several simultaneous meanings of this assumption: (1) that training by itself is good for raising efficiency, (2) that all things considered, it is only training that is lacking for improving the efficiency of the lower levels, (3) explicitly, that lower levels people need to be improved through training, and, therefore, (4) implicitly, that personnel higher up need not be so improved. Putting all the different meanings together, one may arrive at a hypothesis that acceptance of the assumption (and working on it) would mean sustaining a split-attachment between the higher and the lower levels through reinforcement using the instrument of training. Again, this was unacceptable.

The two assumptions were explicitly discussed with organisational personnel, and the premise was accepted that "the need for training may or may not be believed to exist in a given form before ascertaining it". From this, the following objectives were derived:

- (i) it is first necessary to ascertain training needs and while ascertaining it one must know whether such needs are latent or manifest;
- (ii) it is also necessary to know whether there are any organisational factors affecting the behaviour of employees so that it appears as if such employees need training (in the sense which the management of the organisation appeared to make of it); and
- (iii) it is necessary to know whether the present causes of organisational inefficiency must be located at one specific level only and, if so, whether the organisations as a whole shared the belief about the identity of that level.

The second step in the development of the training strategy was, therefore, to carry out a survey of training needs.

In carrying out the training needs survey, two assumptions were made by the consultants and made explicit to the client organisation. The first assumption was that every organisation, for which an investigation on training needs is done, should be seen as something unique. Every organisation is unique in the sense of having particular kinds of behaviour related to the performance of particular organisational tasks. Since training needs reflect the unique requirements of task-related behaviour in the context of a particular organisational culture, a training needs study is also unique. It was made clear that although the corporation may resemble other bureaucratic organisations in many different ways, there would always be funda-

mental characteristics of the corporation which would affect its overall effectiveness. The identification of these fundamental (organisation-culturally given attributes) attributes of existing patterns of task-related behaviour would be the objective of the training needs study.

The second assumption was that the basic objective of training is to help make the trainee perform a specific job. Of course, the validity of the statement is more for jobs having high skill contents than for jobs having high analytical or synthesising contents. It should be noted though, that even for jobs having high variability and low analysability (*i.e.*, jobs where the incumbent is to do a high degree of analysing) there is always a core content and a more amorphous area where the use of discretion is necessary. Thus even for top decision-makers, there is always an outside boundary beyond which the person may not proceed. Unless these boundaries are known, one cannot set the boundaries of the training task, and training then becomes meaningless. We may, therefore, say that the need for training may be objectified only with respect to the assumption that jobs are definable.

In the Corporation of Calcutta (and, I suspect many other municipal organisations in India), there are hardly any formal job descriptions for all levels of personnel. Thus, jobs get defined through practice and precedence. That is to say, a person defines his job by doing it.

Given this context, 'training' the people to do 'defined jobs' were considered likely to be meaningless ideas to most employees. The point to remember is that the people do not see that their jobs are defined. Thus, training needs survey in the usual sense could not be done.

Under the circumstances, the objectives of the training needs survey were redefined to be:

- (i) to identify the affinities of personnel with certain basic skill-areas or areas of professional specialisation;
- (ii) to identify the basic cultural assumptions which define the existing state of the corporation with respect to its primary task; and
- (iii) to see how (i) and (ii) above can be brought together to design a strategy to enable the corporation to respond to contextual issues identified in the opening paragraph of this section.

The results of the training needs survey were evaluated specifically with respect to the utility of:

- (i) in-house training *vs.* external training courses;

- (ii) recruitment of trainers *vs.* development of internal trainers;
- (iii) independently pursued strategy *vs.* professional assistance;  
and
- (iv) sufficiency of (i), (ii) and (iii) as major components of a training strategy.

#### IN-HOUSE TRAINING *VS.* EXTERNAL TRAINING COURSES

It was considered that formulation of a training strategy should begin with the investment that the organisation is likely to make on training within a reasonable span of years and the ways in which such an investment would succeed in exposing the largest section of the organisational members to different types of training. With these factors in mind a computation was done in terms of per capita cost of training for different kinds of training courses run by different agencies. These training courses were again classified in terms of those which it would be possible to offer through an in-house facility and those which only external agencies would offer. It was found that for the largest section of employees, from lower level to the middle level, training in-house would be possible. For the levels from middle-middle to senior-middle, use of in-house facilities combined with external faculty support appeared feasible. It was also found that for the top level management externally run professional courses would be the best option to take, considering the very small number of top management members and the fact that these top managers cannot all be away from the office for any length of time.

The curves for the training cost per capita showed a declining trend with a lower asymptote for the above kinds of mix of training courses. Of the different mixes considered, the one discussed above was seen to be the optimal both in terms of costs and operational ease.

Given these conclusions, the first part of the training strategy was to:

- (a) set up an in-house facility for lower and middle level training;  
and
- (b) negotiate with external agencies for top management professional courses, this included secondment of top management members to announced professional courses of various institutions.

#### RECRUITMENT OF TRAINERS *VS.* DEVELOPMENT OF INTERNAL TRAINERS

Given that it would be necessary to organise in-house training facilities, the issue was whether to begin by recruiting trainers from

outside, or to develop internal trainers. A strategy of development of internal trainers was preferred on the following considerations:

1. *Culture of the Organisation* : It was thought that newly recruited persons would take a long time to familiarise themselves with the culture of the organisation and to make themselves acceptable to the various cadres of organisational members. This would unnecessarily delay matters. Persons selected from inside the organisation to be internal trainers would have a clear advantage in this regard.
2. *Required Number of Trainers* : A small computation showed that to expose the whole organisation to training within any reasonable period of time would require a very large number of trainers. Therefore, a kind of invested funneling approach was required where a few persons would train others who would then train other people, and so on. However, even in this strategy the initial number of trainers could not be very small. It would be very difficult to recruit such a number of faculty quickly. Therefore, a strategy to train up a reasonable number of internal persons (say, 20 to 30) would be far better in this regard.
3. *Specialisations Required* : It was also noted that external trainers with the required specialisations would not be very easily available. For example, for running courses in the revenue departments, an alternative to experienced internal personnel would be to recruit Chartered Assessors and Valuers, who are very much in short supply. Hence external recruitment may not at all be feasible.
4. *Cost* : Since prospective internal trainers are already employed by the organisation, initial and recurring cost on account of training faculty would be very small. This was an important consideration since the corporation initially proposed to finance the training facilities from its own funds and not from any external assistance.

It was, however, noted that for several disciplines (e.g., Operations Research Methods and Management Information Systems) there was no in-house expertise available. For these disciplines then, which are crucial in giving a new perspective to the existing organisation of work, faculty recruitment would have to be done.

#### INDEPENDENTLY PURSUED STRATEGY VS. PROFESSIONAL ASSISTANCE

Another important issue was whether in developing the overall strategy professional assistance would be necessary. It was decided

that it would be better to have some kind of professional help to implement the training strategy, at least for the initial one or two years. The following considerations were made:

1. It was noted that during the initial period, the training staff would be very likely to introject some of the prevalent organisational unconscious themes as identified through the training needs report and the extensive interviews with various organisational members. Such introjection, if left unexamined would definitely hamper the pace of implementation. Professional help would be required to help examine such introjections.
2. The second major reason for suggesting professional assistance was that the newly appointed members of the training directorate were completely inexperienced in the formulation and implementation of training related action programmes. Therefore, to systematise and routinise directorate work, some initial help was considered indispensable by the organisation.

#### SUFFICIENCY OF THE ABOVE COMPONENTS

It was considered that the above component, important as they are in themselves in initiating training efforts, were not sufficient in the context of the Calcutta Corporation. The reasons were:

1. It was considered that issues of boundary maintenance, authority, etc., cannot be easily handled through formal training courses. Yet these are issues which were necessary for organisational members to examine and manage. The reasons and the evidences had been provided to the organisation in the training needs study.
2. It had been noted because of the peculiar historical circumstances with which the Calcutta Corporation found itself burdened, a cogent management philosophy was lacking that could clearly relate the organisation's operational perspective to the concept of municipal governance. The development of a management philosophy would definitely be difficult to achieve as part of a training programme.
3. The reason for which it was considered necessary to recommend professional assistance was also the reason why it was thought that training methodologies by themselves



would have certain limitations in bringing about a sea change in the overall organisational perspective. The various organisational themes, it was observed, were much too deeply rooted in the organisation to be susceptible to any short-term measures.

4. In order to respond purposively to the imperatives of the new municipal Act, the overall organisation has to operate in a completely new manner. In order to do so the organisational inertia generated through over a hundred years of operating in the same way, has to be overcome. This necessitates a planned unfreezing and change programme that has to be continually monitored. Such an operation is outside the boundaries of the formal training task.

The reasons given above clearly show that what is necessary as a strategy in the case at hand is an organisation development (OD) programme. Therefore, an OD programme was detailed out and recommended, and was accepted by the organisation. The OD programme, which would start with the top level management, was to run concurrently with the initiation of the in-house training programmes.

#### THE TRAINING STRATEGY SUMMARISED

The training strategy was essentially a three-pronged one, to address itself to issues of deep rooted dysfunctional organisational themes, lack of formal job descriptions, lack of upto date expertise, etc. The main features of the strategy are summarised below:

1. Chalking out a series of training programmes for the development of internal trainers;
2. Organisation of the training directorate;
3. Preparation of a series of departmental level on-the-job courses to be offered by the internal trainers;
4. Preparation of working manuals for the lower level staff and organisation of on-the-job courses for them to be offered by the internal trainers as also by supervisors trained by the internal trainers;
5. Designing and offering a series of professional courses for the senior-middle and top level managers; and
6. Planning the formal OD programme, nominating an internal consultant, and instituting the OD programme.

## ORGANISATION OF TRAINING FOR INTERNAL TRAINERS

Training for internal trainers followed the classic unfreezing-change-refreezing sequence. The total programme was designed in terms of three phases, each phase addressing itself to one step in the sequence. Thus, the first phase attempted to, through discussions, unstructured exercises and laboratory training, to bring about a general level of unfreezing and shared, awareness on the part of the internal trainers. There was a selection at the end of the first phase based both on faculty and peer evaluation in an open session. The second phase, which was organised not too long afterwards, consisted again of discussions and a week long workshop designed to explore the assumptions behind the 'institution-in-the-mind'<sup>2</sup> of the internal trainers. The third phase was essentially a series of discussions spread over six months where a number of projects designed by the internal trainers and also assigned to them were repeatedly reviewed with an eye to: (a) their applicability and in the organisational context, (b) the degree to which current organisational assumptions seemed to be influencing the conduct of the projects, and (c) the effect which the conduct of the projects seemed to be having on the rest of the organisation. An unstated objective of these sessions was the positive reinforcement of the efforts made by the internal trainers. As a sequel to these programmes, the internal trainers were asked to prepare training materials for various middle-management courses to be run by them.

It may be noted that all these efforts refer to a role that is really more than that of an internal trainer. As a matter of fact, it was made clear to the internal trainers that their future role, in the context of a changing organisational structure, would be more akin to that of a change-agent. During both the first and second phases of the internal trainer's programme, the coordinates of the change agent's role were explored. Of course, the organisation's acceptance of the change-agent role was not as easily obtained, and it remained for the internal trainers themselves to find their own acceptance through examination of the meanings of rejection.

## CONCLUSION

The several learnings derived from the above discussed exercise

<sup>2</sup>For an explanation of the concept of 'institution-in-the-mind', see, Gordon Lawrence, *A Psychological Perspective for Understanding Organizational Life*, TIHR Document, No. 2T 345, Tavistock Institute of Human Relations, London, October 1980.

can perhaps be put in a summary form as follows:

1. Derivation of organisational effects of contextual and historical factors in terms of organisational projects and introjects;
2. Delineating clearly the role of top management assumptions and structure of top management support in the evolution of a training strategy;
3. Determining the assumptions behind the 'institution-in-the-mind' of people through a structured experiential process; and
4. Examination, in a reality oriented manner, of the coordinates of a change agent role in a municipal organisation.

It appears that the work done in the Corporation of Calcutta, while unique in its own way, may provide some clues for further action research in the area of municipal organisation and management. I have sought to discuss some of the steps that may be replicated in such an investigative exercise. □

## *Urban Organisations in the Bombay Metropolitan Region\**

H. S. VERMA

THE TRANSFORMATION of small and insignificant settlements into major metropolitan centres during the course of several centuries has been an historical process which has grown from simple to quite a complex one. When the task of city development was taken on hand initially, only one or two organisations were responsible for its accomplishment : at the metropolitan stage a large number of organisations are engaged in the complex process of putting together or operating its various limbs and functions in a federative set-up involving convergence of task, space and organisational jurisdiction. Studies of urban systems in India have generally tended to ignore this historical reality. As a consequence, many of the analyses of goals, objectives, activities and roles of urban organisations do not view them in proper perspective. Some of the organisations are erroneously expected to perform the functions they are not ideologically designed and, politico-legal-jurisdictionwise, not competent to perform. Some are indeed placed as independent 'whole organisations', whereas in reality they are component sub-structures of larger organisation-set working inter-dependently as an inter-organisational system.

In this paper, using the evidence from my larger study<sup>1</sup> have analysed facets of urban organisations in Greater Bombay and Bombay Metropolitan Region (BMR) as they have tended to operate in different historical phases. In doing so, I have divided the analysis into three sections. The first section describes how the task of urban development of the first seven separate fishing islands into the city of Greater Bombay, then Greater and New Bombay, and still later the entire BMR has evolved itself and sequentially which institutions have operationalised the inter-related sub-tasks in an obvious larger

\*The paper reflects the personal opinions of the author, and not the position of the institution where he is based.

<sup>1</sup>H.S. Verma, *Bombay, New Bombay and Metropolitan Region: Growth Process and Planning Lessons*, Lucknow, Giri Institute of Development Studies, 1982.

inter-related task continuum. The second section illustrates convergence of task-space and organisational jurisdiction of several urban development institutions as it has operated in the case of Development Plan for Greater Bombay (1964), in its totality and fractions, and its revision. The third section then presents the processes and methodologies used in the growth and development of Bombay, New Bombay, and the BMR and their consequences for different classes.

#### CITY DEVELOPMENT AND SEQUENCE OF ORGANISATIONAL GROWTH IN THE BMR

The task of planning and developing a new city or parts of the old cities has traditionally come to be handled by the town development authorities in India either independently or in conjunction with the local government institutions. Placement of different organisations, which have been responsible for the growth and development of Greater Bombay, New Bombay and the BMR in proper organisational sets and inter-organisational federations enables the correct delineation of their role space and inter-dependence. In the case of BMR, three very distinct organisational and federative set ups could be identified. These sets deal with: (a) industrialisation; (b) urbanisation; and (c) single and/or multi-function infrastructure laying agencies. The state and central governments were the source of their jurisdictional sustenance.

##### *First Set : Institutions Fostering Industrialisation*

The first organisational set consisted of the Maharashtra Industrial Development Corporation (MIDC), State Industrial Investment Corporation of Maharashtra (SICOM), Maharashtra Agricultural Products and Fertilizer Promotion Corporation (MAFCO). The sequence of births of organisations servicing the industrialization process in Maharashtra is quite significant. The first to start work was the Directorate of Development of the Improvement Trust (IT) followed by the Directorate of Industries. The Directorate was followed by the MIDC in 1962 which first created a number of industrial estates in Greater Bombay, later in its peripheries and fostered industrial location in the fringe zone of the city at public cost for the benefit of the business class. The SICOM then appeared on the scene in 1965 in the name of inducing industrial dispersal but actually forming another step of the same chain. The SICOM promoted industrial location only in a few development centres in or near the major towns in Maharashtra and at least indirectly helped industrial concentration at already developed places through a series

of decisions.<sup>2</sup> The City and Industrial Development Corporation of Maharashtra (CIDCO), which was formed to plan and develop New Bombay was, as its name reflected, also to help industrial development in Maharashtra and, thus, acting as an integrating institutional mechanism for both industrialisation and urbanisation. However, the CIDCO was SICOM fostered and was to work, interestingly enough, in areas where the business class facilitators (*i.e.*, MIDC, SICOM) had done their bit earlier for industrial development and it was the envisaged role of CIDCO to put in its complementary share in terms of urban services keeping the needs, requirements and interests of the business class uppermost in its thinking and actions. This organisational chain did not end with CIDCO. It was followed by the MAFCO, another SICOM subsidiary, in 1972<sup>3</sup> and the BMRDA. This organisation set would reach its finale if and when the Apex Body proposed by the Kerkar Group comes into existence to administer the Bombay Metropolitan City (BMC).

It is significant that a majority of the member units of this federative organisational chain have statewide geographical and functional mandate. The MIDC, SICOM and MAFCO are directly concerned with specific aspects of industrial development: the CIDCO was established primarily for city planning, development and administration but was also expected to support statewide industrial location policies of the state government. It is, therefore, not without significance that city/town planning assignments to the CIDCO came for such places where this federative chain, servicing the business class, had done their work earlier. CIDCO's policy options were, to that extent, some what pre-determined by the events which took place as a result of working of these organisations and in some cases, were explicitly defined.

### *Second Set : Organisations Facilitating Urbanisation*

The second federative organisational set originally consisted of only two units, *i.e.*, the Municipal Corporation of Greater Bombay

<sup>2</sup>As early as 1970-71 itself the SICOM Annual Report admitted that its strategy of concentrating on a few centres for promotion of industrial growth at a time may not be able to secure the evenness in incomes which is the ultimate objective of the policy of balanced development. SICOM, *Annual Report: 1970-71*, Bombay, 1971, p. 5.

<sup>3</sup>The organisational deception also continued. Established for promoting marketing and processing of agricultural products, increasing the income of agriculturists and developing agriculture in the regions unsuitable for Industrial growth, the MAFCO established its major cold-storage and warehousing complex in New Bombay and concentrated on selling the products of government bacon factory and poultry dressing plant, both of Greater Bombay.

(MCGB) and the CIDCO. The Bombay Metropolitan Region Development Authority (BMRDA) was added in 1975 and the Apex Body of the proposed grandiose Bombay Metropolitan City (BMC), proposed by the Kerkar Group, is to join the group as and when it comes into existence. Essentially, the MCGB is a territorial local government unit also handling development and development regulation work in Greater Bombay and the development plans of all other bodies dealing with other parts of BMR (New Bombay, BMC, etc.) are to be synchronised and integrated with its plans. The BMRDA is the overall federative institution of urban planning and development in the BMR and, to that extent, is expected to regulate, and approve the development plans of both MCGB and CIDCO, the institutions planning, developing and administering Greater and New Bombay respectively. Jurisdictional powers-wise CIDCO is probably the least consequential organisation in this set.

The CIDCO, an organisation floated to plan, develop and initially administer New Bombay, was set up, on March 18, 1970, as a subsidiary company of the SICOM, as defined in section D 4 (I) of the Companies Act, 1956. It was to act as an *agent of the state government* for the development of New Bombay, and was, consequently, named as the New Town Development Authority (NTDA) for New Bombay first and later Special Town Planning Authority (STPA) for several other areas under the provisions of MRTPA 1966.<sup>4</sup> This choice of organisational form was no accident, on the contrary, it was an urgent ideological requirement for the business class which had pushed through the New Bombay idea and was anxious to ensure protection of its interests and flow of favourable decisions from CIDCO. If New Bombay were to be planned, say, by a conventional development authority or the Urban Planning Department of the state government, it would have been unquestionably a difficult task for them to influence day to day planning decisions as they came to do so in the CIDCO. It was precisely for this purpose that a provision in the MRTPA, inserted earlier and providing for grant of funds by the state government to NTDA to develop a new town/city, was used to create CIDCO and then make it act as NTDA for New Bombay.

Interesting background surrounds creation of the BMRDA. Ever since the Government of Maharashtra accepted the proposal of New Bombay in 1970, the MCGB had nursed a grievance of being left out in the scheme of options being decided by the CIDCO and the

<sup>4</sup>CIDCO ceased to be a subsidiary of SICOM with effect from March 30, 1976 and became a fullfledged company owned by the Maharashtra Government thereafter.

state government. This resentment increased further when the task of developing the Bandra-Kurla Complex, lying in the mid-riff of the city and within the territorial jurisdiction of the MCGB, was handed over to CIDCO for planning and development overlooking its claims. Certain steps connected with the development of New Bombay (i.e., bus system, hovermarine, etc.) affecting mutual interests of the two institutions also added to the rivalry between them. The preparation of the New Bombay Draft Plan by CIDCO was also managed without adequate consultation and discussion with the MCGB officials and non-officials and as such, different agencies engaged in the task of developing Greater Bombay or parts of BMR in one way or the other quite often ended up in pursuing contradictory programmes. The need of an agency coordinating planning, development and growth of the entire BMR was realised around 1974. The initiative to establish such an authority for the BMR was, however, taken by the then central Minister of State for Works and Housing in early 1974 when he visited Bombay. The state government was not very favourably disposed towards the idea. If, however, agreed to establish the BMRDA because it hoped to get financial allocations for urban development from the Rs. 250 crore outlay indicated under the head 'Integrated Urban Development' in the Central Plan and the World Bank support for financing the transport loan of the BEST. The establishment of the BMRDA in 1975 was, therefore, culmination of efforts from different quarters to integrate the planning and regulation of development in the entire BMR.

The BMRDA is a large federative body exercising jurisdiction over 3666 sq. kms. of area, 19 urban centres and 943 villages. In its composition, it is substantially representative and elective. The defined *primary role* of the BMRDA is that of planning, coordinating, project formulation, promotion, monitoring and generally to ensure the rapid and orderly development of the BMR in accordance with the Regional Plan. It can also execute schemes but only at the direction of or with the permission of the state government and that too if no other suitable agency is available or willing to do so. Clearly, therefore, execution of projects and schemes is a *secondary function* of the BMRDA.

### *Third Set: Specific Function Agencies*

The third organisational set consists of specific function/facility laying statutory organisations of the state and central governments. These include: MSRTC, MSEB, BPT (all Maharashtra Government) and the Railways, Post and Telegraphs, Airport Authority, ONGC and Defence Establishments (all Central Government). Each of these institutions enjoys specific territorial monopoly power to plan,



develop and manage specific services and urban planning institutions needed their full cooperation and participation in the development of these facilities in their planning areas. On their own they were not empowered to undertake development of any of these in their areas.

Development plans of urban planning organisations emerging out of the inter-organisational interaction of institutions belonging to these three sets still had to get the approval of the state and central governments and allocation of varied resources, not always only financial: At these stages each of them became a competitor, for resource allocation purposes, with other organisations and projects also from fields other than urban development. Subordination of the urbanisation and sub-urbanisation processes to the needs and requirements of the business class and state supported industrial development on the capitalist path could be easily observed from the individual and collective working of these three organisational sets. In case of organisations such as the CIDCO this was evident in their peculiar organisational dualism. CIDCO's organisational form—a registered company under the Companies Act—was such which enabled the pursuit of private sector culture (public funds and private benefits) in a public sector organisation. For the world outside, CIDCO was a government owned and controlled company pursuing strictly legally defined 'agency' function of developing an area of about 120 square miles in the Uran, Panvel and Thane tehsils as a new town to assist in resolving the problems of urban congestion in Bombay city<sup>5</sup> and for which it was provided funds to carry on the task of planning and development of New Bombay on behalf of government and return any surpluses, generated from its sales.<sup>6</sup> In return, it was to get a defined sum for its labours.<sup>7</sup> The going for the private sector was still better in case of CIDCO where the entire share capital was government-owned and apart from the government appointed members to the Board of Directors, the shareholders as a mass of scattered voting entities did not exist. Surrogate control of thinking and planning mechanisms inside CIDCO was consequently an easier task once the state government was persuaded to pack CIDCO Board of Directors with people sympathetic to and aligned with the business class.

<sup>5</sup>G.R. No. IDL/5770/IND-1, dated March 18, 1970.

<sup>6</sup>G.R. No. GAD/CID-2072-U, dated January 24, 1972.

<sup>7</sup>It was kept at Rs. 3 lakhs for the year 1971 and was to be increased each year by Rs. 1 lakh subject to a maximum of Rs. 5 lakhs for any year.

ORGANISATIONAL TASK CONVERGENCE: THE EXECUTION OF 1964  
DEVELOPMENT PLAN AND TENTATIVE STRATEGY OF ITS  
REVISED VERSION (1980-2000)

The Development Plan for Greater Bombay, prepared in 1964 and sanctioned by the state government finally in 1967, was estimated to cost, at 1964 prices, approximately Rs. 700 crores (Table 1). The major items of expenditure in this Plan were public housing (Rs. 229.54 crores : 32.85 per cent), water supply and sewerage (Rs. 195.65 crores : 28 per cent), and industrial estates (Rs. 107.38 crores : 15.30 per cent). The state government had neither accepted the plea of the MCGB to levy development cess at all, nor sanctioned bulk funds to execute this Plan. The MCGB still executed it, albeit with full advance realisation that it was not likely to achieve its set objectives. The actual expenditure incurred during the 14 year period (1964-1978) on its execution (Table 2) comes to roughly Rs. 266.93 crores (about 38 per cent of the total cost). A closer scrutiny of the pattern of execution reveals that only a few schemes pertaining to mainly two itemheads, namely: (a) water supply and sewerage, and (b) transport and communications, have been executed. About Rs. 175.08 crores (90 per cent of the estimated cost of this item) constituting about 65.6 per cent of the total expenditure incurred is on water supply and sewerage projects. Rs. 42.22 crores (about 85 per cent of the estimated cost on this item) were spent on transport and communications accounting

TABLE 1 ITEMISED OUTLAY OF THE 1964 DEVELOPMENT PLAN  
OF GREATER BOMBAY

Sector	Cost (Rs. in crores)			Percentage to Total Cost
	Acquisition	Development	Total	
1. Educational	7.10	27.59	34.69	4.94
2. Medical and Public Health	6.63	13.44	20.07	2.90
3. Recreational	30.58	5.37	35.95	5.14
4. Markets	3.88	9.23	13.11	1.87
5. Communications	20.14	30.18	50.32	7.20
6. Public Housing	32.75	196.79	229.54	32.85
7. Industrial Estates	12.34	95.04	107.38	15.30
8. Water Supply and Sewerage	8.07	187.58	195.65	28.00
9. Miscellaneous	4.88	7.03	11.91	1.70
TOTAL	126.47	572.05	698.62	100.00

SOURCE: *Policy Plan for Greater Bombay : 1980-2000*, Bombay, 1981, p. 7.

for about 16 per cent of the total expenditure. The expenditure on other items is too low<sup>8</sup>. Even the total physical achievement on the overall expenditure of Rs. 266.93 crores is not equivalent of its percentage share in the planned outlay (i.e., 38) because of cost escalation.

TABLE 2 ACTUAL EXPENDITURE INCURRED IN EXECUTING THE 1964 DEVELOPMENT PLAN OF GREATER BOMBAY

<i>Sector</i>	<i>Expenditure (Rs. in crores)</i>	<i>Percentage to total Expenditure</i>
1. Primary Education	11.33	4.25
2. Free Reading Rooms, Libraries and Municipal High Schools	0.16	0.06
3. Public Health, Medical Relief and Medical Education	13.43	5.03
4. Recreational Open Spaces	2.49	0.93
5. Markets and Slaughter Houses	9.49	3.56
6. Roads, S.W. Drains and Street Lighting	42.72	16.01
7. Public Housing	Details not available	
8. Industrial Estates, Plants and Machinery	0.28	0.10
9. Water Works and Sewerage	165.00	61.82
10. Street Cleaning and Conservancy Services	10.08	3.78
11. Slum Services and Village Amenities	1.85	0.69
12. Buildings and Land Acquisition	8.98	3.36
TOTAL	266.93	100.00

SOURCE : *Policy Plan for Greater Bombay : 1980-2000*, Bombay, 1981, p. 8.

The explanation offered by the MCGB on the unsatisfactory implementation follows the usual line. According to the MCGB, the plan could not be implemented properly because of : (a) lack of finances, (b) cost escalation of land acquisition (due to the modified requirement under the MRTPA 1966 to pay compensation at market rate prevalent on the day of notification), (c) non-recovery of betterment levy from the beneficiaries, (d) policy of providing alternate accommodation to the occupants dishoused during the course of implementation of the Plan, and (e) non-availability of sites for developing amenities due to repair (and consequent new lease of life). Apart from lack of finances, none of the other identified problems of plan implementation can possibly be considered very reasonable or

<sup>8</sup>It is significant that no details are available about expenditure incurred on public housing which constituted 32.85 per cent (Rs. 229.54 crores) of the planned outlay. Details would have certainly found a place had there been anything significant to report. Probably, the best bet was not to report anything.

even cogent. Removal of some of these 'problems' through policy reversal would be highly coercive and politically very unpopular choice which the elected representatives in the MCGB could hardly be expected to endorse much as the revised Plan writers would like them to.

The unsatisfactory and uneven execution of the 1964 Development Plan had made its revision an urgent imperative. It was also obligatory on the part of the MCGB to undertake such revision as required under section 38 of the MRTPA 1966. The MCGB, therefore, resolved on 23 December 1976 to make such a revision<sup>9</sup>. The exercise is still underway. However, by January 1982 the base document Policy Plan (MCGB : 1981) defining the policy, approach, and broad strategy was ready for its approval after which it was expected to go before the Maharashtra Government for its sanction. The revised Development Plan conceives linear growth structure, corridor plan with a series of medium-sized new towns around the metropolis forming ring towns, and a new counter-magnet of metropolitan-size in the shape of New Bombay across Thane creek. Of the two scenarios visualised, *i.e.*, mono-centric and poly-nucleated, the poly-nucleated one is expected by the planners to be operative in the next twenty years. The broad assumptions under this scenario are : (a) accentuation of industrial dispersal and no substantial new additions to the industrial labour force in the island city, (b) operation of Nhava-Sheva Port, after 1986, as major growth input for new Bombay, (c) emergence of the BMTPA as an effective controlling institutional mechanism for preventing new office growth in island city, (d) attraction of offices directly related to Greater Bombay to the alternate complex at Bandra-Kurla, (e) diversion of major office and commercial jobs (of regional, state or national significance) to New Bombay, and (f) emergence of a distinguished CBD in New Bombay after 1986. The projected population of the BMR by 2001 is expected to be 15.63 millions of which 9.19 millions are expected to be within Greater Bombay. The BMR has been divided into 15 divisions (4 within Greater Bombay) to spatially distribute the future population and employment. The distribution of incremental population and jobs for the period 1971-2001 in the four MCGB divisions (Table 3) assumes only marginal growth for the Salsette island and identifies other zones as growth centres.

Among the 24 listed objectives of the Revised Plan, the prominent ones are : restrict Bombay's population at 9.19 millions by 2001, evolve a polynucleated structure for the city, shift non-conforming

<sup>9</sup>Resolution 854 of 23 December 1976 of the MCGB and gazetted by the Maharashtra Government on January 13, 1977.

TABLE 3 INCREMENTAL POPULATION AND JOBS (1971-2001) IN DIFFERENT DIVISIONS OF GREATER BOMBAY

Zone	Wards	Incremental Population (in '000)	Incremental Jobs (in '000)		
			Manufac-turing	Non-Manu-facturing	Total
1.1	A, B, C	87	—	70	70
1.2	D to G	261	35	90	125
1.3	Suburbs	1829	40	335	375
1.4	Extended Suburbs	1043	39	150	189

SOURCE : *Policy Plan for Greater Bombay : 1980-2000*, Bombay, 1981, p. 22.

industries based on performance characteristics, declare certain areas as urban renewal areas (URAs), and optimise mass transportation system. These objectives are sought to be realised through pursuit of a range of urban development policies culminating in a structure plan which divides the city into four broad use zones (*i.e.*, residential, industrial, commercial and no-development). About 777 ha. in the city and 5070 ha. in the suburbs and extended suburbs have been designated for public purposes. Out of this, only 3967 ha. are meant for obligatory purposes to be developed by the MCGB.

The total cost involved in implementing the revised development plan is Rs. 1947 crores (Table 4). The highest percentage of outlay is once again earmarked for public housing (41.05, Rs. 799 crores); public utilities, medical and recreational items claim 17.9, 14.6 and 11.33 per cent respectively. Comparing the pattern of 1964 and 1980

TABLE 4. PROPOSED OUTLAY OF THE REVISED DEVELOPMENT PLAN FOR GREATER BOMBAY

Sector	Cost (Rs. in crores)			Percentage to Total cost
	Acquisition	Develop-ment	Total	
1. Education	30.00	105.00	135	6.94
2. Medical	54.50	229.50	284	14.60
3. Public Utility	40.00	308.00	348	17.90
4. Markets	19.00	76.00	95	4.86
5. Communications	6.50	6.50	13	0.66
6. Recreational Open Space	221.00	Nil	221	11.33
7. Public Housing	281.00	518.00	799	41.05
8. Others	10.50	41.50	52	2.60
TOTAL			1947	100.00

SOURCE : *Policy Plan for Greater Bombay : 1980-2000*, Bombay, 1981, p. 44.

plan outlays it emerges that the Revised Plan makes some significant departure from the earlier one. Items which claimed lion's share of actual expenditure incurred in the 1964 Plan have received relatively lesser allocation in 1980. Industrial estates has not in fact received enough allocation to merit independent listing. A larger part of the outlay (over 40 per cent) is on social services this time as against public utilities in the 1964 plan.

To execute the revised Plan, the MCGB would need finances of the order of roughly Rs. 100 crores per annum during the next 20 years. An examination of its past financial record indicates that it can manage to set aside funds between Rs. 20 and 22 crores for this purpose and that would leave a whopping gap between the plan requirements and the capacity of the MCGB to raise resources. To further reduce the cost of the Plan without sacrificing any of the proposals it is suggested that the encumbrance of the MCGB to provide alternate housing to those di-housed as a result of Plan execution be reduced to 25-35 per cent of housing cost. This would bring down the size of the Plan to Rs. 1388 crores. Other suggestions for raising resource for the plan execution run along the lines of 1964 Plan. The revised Plan is an useful document for the planners. However, it does not seem to have learnt much either from the 1964 Plan or its actual execution or even the changed realities which prevail in the eighties. The objectives cannot be realised by the MCGB since it lacks jurisdictional, financial and administrative capacities to execute the projects the plan would entail. One major area of confusion relates to the relocation proposals, almost all of them simultaneously involving, among others, the MCGB, BMRDA, and CIDCO. The relocated activity would go where (*i.e.*, Bandra-Kurla, other areas in Greater Bombay, Kalyan Complex, New Bombay) and how is not at all clear. The reaction of the state government on the revised Plan cannot be possibly different than shown to the 1964 one. In such a situation, the capacity of the MCGB to finance the execution and the priorities decided in their sequence of implementation would alone decide how this attempt to restructure BMR would fare in the next twenty years. There is also the competition between Bandra-Kurla and Backbay, Bandra-Kurla and New Bombay, Bandra-Kurla and other sites proposed for commercial development in the BMR for relocation of the tertiary sector from south Bombay. It is not very certain whether Bandra-Kurla offers decided advantages where trade and offices would like to go very willingly. Presently, the area is considered to be the cancer of city and unless Dharavi slum is erased from the scene, which is neither advocated nor seems possible, the capability of the area, even when developed along the lines BMRDA proposes, would remain

very much doubtful. The constantly changing stance of the Maharashtra Government, as reflected in its periodic and *ad hoc* decisions to allot chunks of lands to different agencies in the area, is another imponderable which would shape the fate of the area. The latest proposal of the Kerkar Group Report is to turn the entire Bandra-Kurla complex into a green belt. As the revised Development Plan of Greater Bombay gets finalised, the state government, the MCGB, and the BMRDA would have to face another testing time to decide their roles and responsibilities. Schemes such as the Drive-in-Theatre would get implemented by the BMRDA in the meanwhile.

#### BOMBAY, NEW BOMBAY AND BMR: PROCESS, METHODOLOGY AND CONSEQUENCES OF GROWTH

Examination of the historical evidence on the process and methodology employed for the growth of Bombay, New Bombay and BMR reveals the following patterns of consequences:<sup>10</sup>

1. In physical terms, the city of Greater Bombay is what its developers, at different points of time, have made it, albeit in terms of their periodic and pressing requirements. Since most part of the city is reclaimed on a planned basis, its physical growth sequence very closely approximates with the political and economic events which took place affecting the main driving force controlling and directing the life and limb of the city at different points of time. In the earliest period, the place was nothing beyond the base of the fishermen, the centre of trade and politics at that time lying in the coastal Konkan. At the end of intermittent change of hands, the islands finally passed on to the Portuguese who gave them as a dowry to the British. The British planned and made it a *city of and for the traders*. Significantly enough, historically the city has grown from the southern end and not from the side of the main land with which it has forged physical links in a real sense only after the opening of the Thana creek bridge in 1971. Apart from reclamation, periodic outer physical expansion of the city has almost always involved some physical realignment in southernmost part. These extensions and expansions have been determined by the conflicting needs of an alien power,

<sup>10</sup>There is extensive literature on this theme. However, see, in particular, C. Rajagopalan, *The Greater Bombay*, (Bombay, 1962); Nigel Harris, *Economic Development, Cities and Planning*, (Bombay, 1978); and *Report on the Development Plan for Greater Bombay*, (Bombay, 1964).

the comprador industry and commerce and the native poor during the British period and the business, middle and working classes in the post-independence period.

The task of developing the city physically has changed hands periodically. In the very beginning, it was with the British themselves working as the government. It was passed to the Municipality in 1861 and to the Improvement Trust (IT) in 1896. Thereafter, a large number of additional agencies appeared on the scene as the city and various system managing institutions (*i.e.*, the BPT, the two railways, airport, other agencies) grew and started making and executing independent physical development decisions without necessarily integrating them with the overall concept and functions of the city. The state government itself remained in the wings retaining the right to intervene but seldom exercising the central cementing and integrating function in the city's development work. The dissolution of the IT in 1926 and transfer of its functions to the Corporation did not help the matters in any significant way inasmuch as the Corporation did not have overriding powers to regulate and control the pattern of development brought about by a plethora of agencies. As the size and complexities of single problems being faced increased in the city, specialised single and even multifunction agencies (*i.e.*, BBRRB, MHB, etc.) were added in the post-independence period. Thus, whereas generation of structural problems was cumulative, articulation and solution management was segmented and overall management of the city was the sole responsibility of an institution not endowed with commensurate powers.

2. Physical development of the city, location and siting of different component elements governing city's growth (manufacturing, servicing and office sectors) and adjustment of differential growth of city's component elements deciding ratios of population to housing and other services, work trips to traffic capacities, capacities of the utilities to their actual load, and so on have always been governed by several pronounced biases. First, the alien rulers, the native rich and wealthy were given a preferential residential location in the western shore areas (Malabar Hills, Peddar Road, Foreshore Road, Cumballa Hills, Juhu-Vile Parle Scheme, etc.) which still continues. Second, the location for refuse and other disposal systems (sewage, drainage, burial, etc.) were, as far as possible, kept away from the rich areas. Third, in laying of circulation network the entire city's needs were first subordinated to the requirements of the rich and wealthy. Still later, needs of other



sections were sporadically attended to with grudging allocation of attention and resources. Fourth, in the actual sequence of provision of the essential civic, social and other services, the once needed more by the business class came first. Fifth, whereas the requirements were worked out on the per-capita basis assuming no differentials in their availability and use, the actual distribution network and usage technology and pattern made unequal availability favour the rich. Sixth, the quantum of services needed almost always lagged behind significantly than the one actually provided. Seventh, the drain of inputs showed the pattern from the immediate neighbourhood to distant areas (*i.e.*, water, power, other inputs, etc.) with the result that the expansion of the city not only increased the quantum of demand but also the distance of their supplies involving laying out of lengthy and costly supply lines. As the time passed, every such expansion in the capacities of supplies was not only going beyond the capacities or the Corporation; jumping even the capacities of the state government it was becoming dependent upon the stiff-conditioned loans from international agencies. The supplying periphery also suffered as a consequence. Eighth, whereas the MCGB as statutorily obliged to provide only some of the services from the total package needed by an emerging elitist-oriented city, the state was coming forward to provide only a few of the remaining. The business and the elitist class, therefore, built a number of servicing institutions quite a few of which acquired an exclusive character.<sup>11</sup> These institutions were not of much use to the mass of Bombay's population although many of these were (and are) wellknown names.

3. Despite the fact that the meticulous British played a major role in shaping the structure of the city, it comes as a surprise that not a single overall conceptual town planning exercise was carried out for the city until the year 1909. And yet, the fact remains that a large number of committees addressed themselves to periodic predilections and shifting areas of concern over the state of the city. Even these periodic responses were also rather forced ones, precipitated generally by one calamity/emergency or another. The pattern of response which

<sup>11</sup>In building most of these institutions, it enjoyed all the concessions given to non-profit charitable organisations by the state government. It is not exactly in public knowledge that exclusive organisations such as the Bombay Gymkhana, Wellington, and Chembur Golf Club got their land on a lease of 99 years on a nominal rent of rupee one per year.

emerges is that of selective problem articulation and still greater selective orientation in attempting their solutions. Most often the solution pushed involved reducing the quantum or quality or both of the available service/facility to the citizens. The two wars and the period immediately thereafter mark crucial watersheds which indicate the lengths to which city's needs could be neglected. Yet, it would be entirely incorrect to conclude that no planning was involved in the city's development. On the other hand, it was not planning of the city as a whole and for the entire population as these exercises generally went but planning of parts and for certain classes of its citizenry. This type of planning involved overlooking and ignoring the problems which affected the common man: it consisted of finding excuses for deferring their solutions (*i.e.*, not properly studied, no funds, etc.). It also involved finding justifications, real and imaginary, to push through solutions in the name of poor to benefit the rich (*i.e.*, talking of shifting the trade and industry and actually shifting the poorer segments of population). It is remarkable that none of the latter day Committees have addressed themselves to the development of the parallel black economy and parallel systems which have caused, among other things: (a) steep increase in economic crimes, (b) emergence of smuggling as a major profession with its own procurement, distribution, markets, and payment system, (c) the growing magnitude of unauthorised activity in almost every field, (d) the prominence of black money-white-conversion industries (*i.e.*, films, building construction, estate, tourism, hotels and restaurants, etc.), (e) commercialisation of the misery and suffering of the millions, (f) the development of Mafia system (*i.e.*, the underworld, the fanatic groupings, the goonda unions, etc.) to eliminate the cloud of citizen groups, and working class organisations, (g) the huge clandestine funding of ruling apparatus promoting illegal and unauthorised projects, (h) enormous unlisted and unorganised living, manufacturing and trading establishments, and (i) the more pronounced penetration and assertion of the capitalist class in the affairs of the state. Precisely because these parallel systems run the city's economy and the people controlling them are better off than the crushing problems of the common citizen remain unattended.

4. The methodology of Greater Bombay's and BMR's growth had been evolved, perfected and patented before the publication of the Development Plan for Greater Bombay in 1964. It has been systematically repeated ever since. This methodology was

systematic and indicated a decision; it involved : (a) laying the routes for industrial spillover in the immediate fringe zones through provision of infrastructure by Industries Department, the MIDC, and even the SICOM, (b) first leaving the areas to the ingenuity and greed of the private developers milking bone-dry their commercial potential with the MCGB generally inheriting only the gigantic size of problems and liabilities later, and (c) periodic extension of the limits of the Corporation to administratively formalise the economic annexation. The logic of this methodology forced expansion and dispersion of the city and not the economic activity as many of the Development Committees and Study Groups recommended. The business class argued that Bombay was a city of businessmen and should remain that way. Surprisingly enough, the state government always seems to have accepted this reasoning. □

# *Cities in India: A Census Analysis*

ARUN KUMAR SHARMA

A NUMBER of urban analysts have recently shown interest in studying the role of cities in the urbanisation process. According to the definition of Census of India, city is a class-I urban locality inhabited by minimum of 100,000 persons. In year 1981, as exhibited by the census results, 23.73 per cent of the whole population in India was living in urban areas, and 60.37 per cent of the whole urban population lived in cities<sup>1</sup>. In the decade 1971-81, total urban population in India grew by 46.02 per cent and the city-population increased by 56.83 per cent due to natural increase, population transfer, and increase in the number of towns or cities<sup>2</sup>. Haribabu has expressed concern about rapid concentration of urban population in the metropolitan centres, that in his views, results from the developmental planning, based on the western concept of development and modernisation.<sup>3</sup> Jain has, however, shown that the size class growth rates are rather misleading. The initial population size of locality method that gives the true rate of city defined localities at a previous date and presents a lower rate of growth of cities (42.41 per cent) than the total urban population for period 1971-81 (46.02 per cent)<sup>4</sup>. Bose has confined his analysis to role of medium-size cities in the process of urbanisation<sup>5</sup>. Similarly, Crook and Dyson who analysed the census data of 1981 found that the growth is concentrated in

<sup>1</sup>Registrar General and Census Commissioner for India, *Provisional Population Totals: Rural-Urban Distributions*, Census of India, Series-1, Government of India Press, New Delhi, pp. 24-30.

<sup>2</sup>*Ibid.*, p. 32.

<sup>3</sup>E. Haribabu, 'Development of Small and Medium-Size Towns in India: Experience and Policy Implications', Paper presented at the Symposium on Small Towns..., Asian Institute of Technology, Bangkok, Thailand, Dec. 13-17, 1982.

<sup>4</sup>M.K. Jain, 'Growth of Cities and Urban Agglomeration in India—1971-81', Paper presented at Seventh Annual Conference of IASP, SV University, Tirupati, January 27-29, 1982.

<sup>5</sup>Ashish Bose, 'The Role of Medium Sized Cities in the Urbanization Process', Paper presented in the Third Asian and Pacific Population Conference, Colombo, Sri Lanka, 1982.

intermediate size towns.<sup>6</sup> At present there are 216 cities in India and this is the view of the author that due to great historical, regional, economic and demographic differences, it is not scientifically meaningful to generalise for all the cities.

The purpose of the present paper, therefore, is to prepare a demographic profile of Indian cities and highlight the socio-economic differences in cities that are growing at different rates. The objectives of the present analysis are :

1. to divide all the cities in India in classes according to their rate of growth observed in the decade 1971-81, and find the average socio-economic characteristics of cities in each class;
2. to find the regional differences in the distribution of cities by growth-class;
3. to prepare the distribution of cities by their growth rates in the decades 1961-71, and 1971-81, and to calculate the correlation coefficient between the two; and
4. to fit a theoretical curve to size distribution of cities in 1981.

#### TYPOLOGY OF CITIES IN INDIA

Table 1 presents the data on urbanisation in India for the period 1901-81, and the increase in number and population of cities. As is evident from the table, urbanisation in India remained stable upto 1931 and the census in 1941, for the first time, gave an increase of 2-points in percentage urban. The increase in urbanisation between 1941-51 is partly due to large quantum of refugee-migrants from the present day Pakistan and Bangladesh after partition. After that the subsequent censuses provided the accelerating pace of urbanisation in India. Not only the urban population but the number of towns has also increased after 1931. The decline in the number of towns between 1951-61 is largely due to definitional changes that affected mostly the urban areas with population below 10,000. Changes in number and population of towns result from demographic changes, absorption of hinterland, migration and reclassification. The author has earlier shown that the demographic changes have contributed to urbanisation in contemporary India<sup>7</sup>. The number of cities and their share in urban population have constantly increased since 1911 and on the face it implies that the population of cities in India in recent past has grown at a very fast rate in relation to the total urban population.

<sup>6</sup>Nigel Crook and Tim Dyson, "Urbanization in India: Results of the 1981 Census", *Population and Development Review*, 8:1, 1982, pp. 145-55.

<sup>7</sup>A.K. Sharma, "Demographic Transition: A Determinant of Urbanization", *Social Change*, 9:3, 1979, pp. 13-17.

However, a large part of this change is due to increase in the number of cities and not the growth in the group of towns defined as cities at a particular date<sup>8</sup>.

TABLE 1 URBANISATION AND CITIES IN INDIA, 1901-81

Year	Degree of Urbanisation	No. of Towns	No. of Cities	Percentage Share of Cities in Urban Population of India
1901	11.00	1834	24	25.71
1911	10.40	1776	23	27.19
1921	11.34	1920	28	29.40
1931	12.18	2049	33	30.60
1941	14.10	2210	47	37.93
1951	17.62	2844	74	44.31
1961	18.26	2330	102	50.77
1971	20.22	2531	145	56.21
1981	23.73	3245	216	60.37

SOURCE: Registrar General and Census Commissioner for India, *Provisional Population Totals: Rural-Urban Distribution*, Census of India, 1981, Series-1, Government of India Press, New Delhi.

In the light of the objectives of the paper mentioned before the cities in India are divided in four classes as follows :

- Type 1. Cities for which the growth rate between 1971-81 is lower than the growth rate of rural population in India (i.e., 18.95 per cent in the decade).
- Type 2. Cities for which the growth rate between 1971-81 is above the growth rate of rural population but less than that of the total urban population (i.e., 46.01 per cent).
- Type 3. Cities for which the growth rate between 1971-81 is above the growth rate of total urban population but less than that of all cities (i.e., 56.82 per cent).
- Type 4. Cities for which the growth rate between 1971-81 is above that of all cities.

The census analysis shows that among all the 202 cities for which growth data between 1971-81 are available, cities belonging to Type 1, Type 2, Type 3, and Type 4 are 3.47, 58.91, 17.32, and 20.30 per cent respectively. Their respective shares in the total city population are 1.07, 63.06, 17.58, and 18.29 per cent. The above typology is based on the size-class approach in the study of growth of urbanisation. Cities can also be stratified according to initial population

<sup>8</sup>M.K. Jain, *Interstate Variations in the Trends of Urbanization in India, 1951-71*, IIPS, Bombay, 1977 (Mimeo).

size of locality method. The advantages of the former method are that the rates are readily available, and they provide a hierarchical setting of urban growth. The latter does not produce clear cut hierarchy on the basis of which cities can be distributed by growth class as the growth behaviour of small, medium and big cities is more erratic.<sup>9</sup>

Table 2 shows the average characteristics of the cities belonging to various growth classes. It is clear from the table that there is no clear cut relationship between the growth rate of the cities and the socio-economic characteristics—such as population, sex-ratio, literacy and dependency ratios for males and females separately. Only in the case of sex ratio of the population, defined as number of females per 1000 males, there is a definite negative association with growth rate of the cities. This implies that city-ward migration in India is sex-selective and the rapidly growing cities pull more male migrants than females.

TABLE 2 AVERAGE CHARACTERISTICS OF THE CITIES BY GROWTH CLASS

Type of the Cities	Population (in '000)	Sex Ratio (F/M. in '000)	Literacy Rate (per cent)		Proportion of Workers per cent		Proportion of Male Workers enumerated as marginal workers
			Males	Females	Males	Females	
Type 1	137.43	953.00	72.19	54.06	46.79	8.50	4.14
Type 2	477.96	898.75	65.26	47.72	46.76	6.92	1.82
Type 3	452.91	869.97	64.40	45.25	46.35	6.53	3.58
Type 4	402.46	861.66	65.66	47.33	48.43	7.41	3.30
All cities*	446.49	888.11	65.43	47.43	47.03	7.01	2.51

\*Only 202 cities are included in the analysis.

SOURCE : Computed from:

- (a) Registrar General and Census Commissioner for India, *Provisional Population Totals : Rural-Urban Distribution*, Census of India, 1981, Series—1, Government of India Press, New Delhi; and
- (b) Registrar General and Census Commissioner for India, *Provisional Population Totals : Workers and Non-Workers*, Census of India, 1981, Series—1, Government of India Press, New Delhi.

A comparison of the Type 1 and Type 4 cities shows that the fastest growing (Type 4) cities are larger in size, low in sex ratio, low in literacy rates both for males and females, high in the proportion workers for males, and low in proportion workers for

<sup>9</sup>M.K. Jain, *op. cit.*, pp. 31-32.

females and proportion of male workers enumerated as marginal workers, *i.e.*, workers without work for major part of the year. This is, however, not valid if all the cities of various types are considered together. The largest cities belong to Type 2, growing at varying rates between that of aggregate rural and aggregate urban population. Type 3 cities give the minimum values of the literacy rates and proportion workers. Proportion of marginal workers is also least for Type 2 cities. Though not very clear, these results show the differences in the socio-economic characteristics of the cities growing at different rates and that the typology of cities by growth is not random.

TABLE 3 DISTRIBUTION OF CITIES BY GROWTH-CLASS IN STATES OF INDIA

India/State	Degree of Urbanisation	Percentage of Urban Population living in Cities	No. of Cities†				Total
			Type 1	Type 2	Type 3	Type 4	
India*	23.73	60.37	7	119	35	41	202
Andhra Pradesh	23.25	53.69	1	8	4	7	20
Bihar	12.46	54.12	—	7	7	3	17
Gujrat	31.08	57.92	—	9	1	3	13
Haryana	21.96	56.64	—	4	1	1	6
Himachal Pradesh	7.72	—	—	—	—	—	—
Karnataka	28.91	58.60	—	9	4	3	16
Kerala	18.78	53.13	1	—	—	—	1
Madhya Pradesh	20.31	46.84	—	10	1	3	13
Maharashtra	35.03	75.24	—	13	5	6	24
Manipur	26.44	41.20	—	—	1	—	1
Meghalaya	18.03	72.26	—	1	—	—	1
Nagaland	15.54	—	—	—	—	—	—
Orissa	11.82	41.63	—	3	1	2	6
Punjab	27.72	46.40	—	5	1	1	7
Rajasthan	20.93	46.52	—	6	3	2	11
Sikkim	16.23	—	—	—	—	—	—
Tamil Nadu	32.98	62.19	3	16	—	1	20
Tripura	10.98	58.48	—	1	—	—	1
Uttar Pradesh	18.01	51.49	1	22	3	3	29
West Bengal	26.49	76.84	1	5	1	4	11

\*Includes union territories and excludes Assam and Jammu and Kashmir.

†Excludes cities for which growth rate between 1971-81 is not available

SOURCE : Same as Table 1.

Table 3 presents the data on the distribution of cities by state and growth type. It is clear that the Type 4 cities are relatively more in proportions in Andhra Pradesh, Gujrat, Madhya Pradesh,



Maharashtra, Orissa, and West Bengal. In Uttar Pradesh which is a state with maximum number of cities in India, most of the towns belong to Type 2. Other states with more preponderance of Type 2 in cities are Gujrat, Haryana, Madhya Pradesh, Punjab, and Tamil Nadu. Further, the growth type distribution of cities in different states does not show any relation with history of urbanisation in the states, measured by the degree of urbanisation or the concentration of urban population in cities, measured by proportion of total urban population living in cities.

#### DECADAL CHANGES IN GROWTH RATES OF THE CITIES

We have seen that there is a relation between the growth rates of the cities and their socio-economic characteristics. Having done this analysis, we have distributed the cities by their growth rates between 1961-71, and 1971-81. Table 4 shows the results of this bivariate classification. First it should be noted that there has not been a major change in the average growth rate of the cities in decade 1971-81. The cities grew at an average decadal rate of 41.57 per cent between 1961-71 and 44.67 between 1971-81. For the classification given in Table 4, the value of zero order product moment correlation between the decadal growth rates of cities in two successive decades is +.51 which is statistically significant. The line of regression for growth between 1971-81 on growth between 1961-71 is found to be:

$$y = 26.79 + .43x$$

The proportion of cities growing at decadal rates less than 30 per cent has declined from 34 per cent in the previous decade to 20.5 per cent in 1971-81. The proportion of cities growing at decadal rates above 60 has also declined from 16.5 per cent to 15.5. Cities growing at decadal rates between 40-50 have also declined in proportion from 21 per cent to 16.5 per cent. A large increase is noted in the proportion of cities growing at rates between 30-40 per cent and 50-60 per cent, particularly in the latter category. Due to this the standard deviation of the decadal growth rates of the cities has declined from 24.13 to 20.35, leading to more concentration of cities in the middle zone of the growth rates.

#### ON THE RANK-SIZE RULE IN INDIA

According to rank-size rule, there exists a definite relation between rank of a city on the size scale and its size, *i.e.*, the size of population of a city can be expressed as a declining function of its rank in size distribution. In principle, a number of mathematical functions to represent this relationship can be specified. Gravity type and

TABLE 4 DISTRIBUTION OF CITIES BY GROWTH RATE IN DECADES 1961-71 AND 1971-81

Growth rate 1971-81	Growth Rate, 1961-71 (Decadal percentage change)										Total
	-20	20-30	30-40	40-50	50-60	60-70	70-80	80-90	90-100	100+	
-20	2	3	2	—	—	—	—	—	—	—	7
20-30	9	12	4	4	3	1	1	—	—	—	34
30-40	8	17	16	13	4	1	—	1	—	1	61
40-50	6	4	3	12	3	3	—	1	—	1	33
50-60	1	3	10	11	4	2	1	1	—	1	34
60-70	—	1	1	1	2	2	2	—	—	2	11
70-80	—	1	3	—	—	1	1	1	—	—	7
80-90	—	—	1	—	1	—	—	1	1	1	5
90-100	—	1	—	—	—	1	—	2	—	—	4
100+	—	—	—	—	1	—	1	1	—	1	4
Total	26	42	40	42	17	11	6	8	1	7	200

SOURCE: Same as Table 1.

logarithmic equations are commonly used for such relationships in social sciences. Sharma<sup>10</sup> has earlier criticised the rank-size rule for cities in its application to the countries of Asia, Africa, and Latin America due to primacy of some cities. Prof. K. Davis, however, in a personal communication to author writes: "With slight modifications of terms, a reasonably good fit can be achieved with most systems. Also, the description of cities by size resembles a good many other distributions and therefore probably does have a theoretical base." Three theoretical distributions, namely conventional rank-size rule (CRSR), negative exponential, and Gompertz were fitted to data on size of all 216 cities in India. The following distributions were obtained:

$$\text{CRSR : Size} = 1.513.10^7 (\text{Rank})^{-.9356}$$

$$\text{Exponential : Log Size} = 17.942 - .051 \text{ Rank}$$

(Pareto distribution)

$$\text{Gompertz : Log size} = 22.496 \text{ Exp} (-.0055 \text{ Rank})$$

Gompertz distribution is more sophisticated than the exponential distribution and has been widely used in population studies for obtaining theoretical distributions of birth intervals, mortality rates, and size, etc. The CRSR fits very closely to the actual city-size distribution (the value of  $R^2$  for regression line log size on log rank is 0.85), but the exponential and Gompertz distributions are not found to represent the theoretical distributions of the same. Both these

TABLE 5 ACTUAL AND ESTIMATED CITY-SIZE FOR RANDOMLY SELECTED CITIES IN INDIA

Random Rank	Estimated city size ('000)			
	Actual City Size ('000)	Conventional Rank-size Rule	Exponential Model	Gompertz Model
8	1688	2161	41196	2436760
35	538	543	10395	158992
43	476	448	6913	75828
67	305	296	2033	9745
94	215	216	513	1277
105	190	194	293	602
126	158	164	100	160
143	138	146	42	60
174	115	121	9	12
178	114	119	7	10

SOURCE: Same as in Table 1.

<sup>10</sup>A.K. Sharma, *op. cit.*

distributions overestimate the population of larger cities and underestimate the population of smaller cities (see Table 5). This analysis supports the rank-size rule in India and contradicts the earlier findings of the author that rank-size rule does not apply in the developing countries.

#### SUMMARY AND CONCLUSIONS

The analysis presented in this paper has added to insights gained by earlier researchers regarding urbanisation process in India. It clearly shows that the size-growth relation for cities is valid. There are differences in the socio-economic characteristics of the cities growing at different rates but they do not provide a very clear cut urban law. The cities that grew fast between 1961-71, however, continued to grow fast between 1971-81, and vice versa. Lastly, the cities in India, some of which are product of a colonial past, conform well to the rank-size rule, which can be an indicator of the evolutionary nature of urbanisation process in India. India has a very long history of urbanisation. Even though some of the Indian cities have partly been the 'colonial' towns, the external factors are well integrated in the endogenous cybernetics of Indian cities. This supports the thesis of Phillips that India seems to follow the typical cycle of urbanisation with western countries, at least in early phases.<sup>11</sup> □

<sup>11</sup>W.S.K. Phillips, "Processes, Trends and Consequences of Urbanization in the Developed and Developing Countries", *Research Journal (Humanities)*, 4:1, 1975, pp. 31-60.

## CORRECTION

*"Urban Housing Processes and the Poor: A Case Study of Ahmedabad", NAGARLOK, Vol. XIV, No. 2 (April-June, 1982), by Mera Mehta. The footnotes and references indicated in the paper were unfortunately mixed up, the proper citations are as indicated below. The error is regretted.*

—EDITOR

### FOOTNOTES

<sup>1</sup>Abrams, 1964.

<sup>2</sup>Sinha, 1974.

<sup>3</sup>Mehta, 1980.

<sup>4</sup>Some of studies for Ahmedabad which have been used throughout the paper are Patel, 1980, Singh, 1981, Kaushik, 1981, Munshi, 1981 and Mehta, 1981.

<sup>5</sup>Kashyap, *et. al.*, 1980, p. 96.

<sup>6</sup>ORG 1973, In 1945, the estimate of households in Ahmedabad comes to 142, 844. Further assuming that 50 per cent of these were in the 'poles' within the old city, almost 75 per cent of the households outside the fortwalls were absorbed by the Chawls alone.

<sup>7</sup>The first estimate is based on Census of India, 1961 which had a special report on 'slums' in Ahmedabad. The 'slums' were "certain hutment and sub-standard housing areas" as classified by the Ahmedabad Municipal Corporation. The second estimate is based on AMC, 1976 which through its census of slums gave details on the year of construction of huts. Treating a hut as equal to a household, we have estimated the likely slum households in both 1961 and 1971.

<sup>8</sup>The spatial growth patterns of 'slums' is based on the project work of students at the School of Planning, Ahmedabad. The information base is AMC, 1976.

<sup>9</sup>The first estimate is as per Table 1. The second estimate is based on the census of India, 1961. It gave a population of 0.87 lakhs in slums in 1961 and using AMC 1976s estimate of 4.15 lakhs in 1975-76, the decadal growth rate comes to about 250 per cent.

<sup>10</sup>The data base is the employment in registered factories from chief inspector of factories as given in Patel, 1980. Table IV, 2, p. 74.

<sup>11</sup>The survey of 294 workers, selected from the worker listing in nine purposively selected slum clusters, was done in April-June 1981. The sample of workers was systematically drawn from a sectorally stratified sample. The sectors used in the study are self-employed, unattached casual workers, workers in the domestic sector, informal establishment workers (employing less than 10 persons), casual workers in formal establishments (employing more than 10 persons) and the permanent workers in formal establishments. The first five were also clubbed as the total Informal Sector.

<sup>12</sup>Although the data available pertains to the years 1968 to 1974, regarding the construction of 'conventional' houses, we have assumed that the rate of 3500 houses per annum, will not be very different in the earlier years either. AMC, 1974, Draft Development Plan, Vol. I, p. 81.

<sup>13</sup>Doshi, 1974.

<sup>14</sup>Mehta and Kulkarni, 1981, Gandhi, 1979, Singh, 1981, Munshi, 1981 and Mehta, 1981.

<sup>15</sup>Leeds, 1969 as quoted in Brett, 1974.

<sup>16</sup>Singh G., 1981.

<sup>17</sup>Singh G., 1981.

<sup>18</sup>This is brought out by many other studies also refer Singh, 1981, Kaushik, 1981.

<sup>19</sup>This aspect was however very difficult to trace in more detail through the surveys. In a number of case studies by students at the School of Planning, Ahmedabad, the mode of information for housing was simply 'friends and relatives'.

<sup>20</sup>The mobility paths developed by Singh were based on the framework provided by Benninger, 1970 which includes aspects like changes in the level and nature of income and stage in the life cycle.

<sup>21</sup>Based on AMC, 1976, p. 28, Table 24 and Statement X.

<sup>22</sup>Kaushik R., 1981.

<sup>23</sup>Kaushik, 1981 and Singh, 1981.

<sup>24</sup>Baross and Martinez, 1977.

<sup>25</sup>This distinction is necessary because they respond to different constituencies and this is clearly reflected in the nature of policies taken up.

<sup>26</sup>The groups and models are based on the studies for Ahmedabad which have been referred before. However, significance in terms of magnitude of different types may only be established through a study of evolution of specific slum clusters carefully selected through appropriate cluster sampling.

<sup>27</sup>Generally a density of about 80 households per acre was common on such developments. At Rs. 10 per household per month, an income of Rs. 800 p.m. acre was possible for the landlord without making any investments. This land would not have yielded any returns otherwise for a long time.

<sup>28</sup>In the first case, the high rates of return on both residential and commercial developments would ensure substantial profits even after paying off the slum dwellers. In the second case, the landlords manage to get another plot of land in exchange which is free from any hassles.

<sup>29</sup>This is most likely also happening in many pockets of land which come under the land ceiling act, although we do not have any concrete evidence on this so far.

<sup>30</sup>In such a case, for a cluster just outside the boundary of corporation, the slumlord collected Rs. 21,000 as initial deposits in 1969 and about Rs. 2.3 lakhs in rents for seven years from 1970 to 1977 for a plot of 2 acres, which housed a little over 200 households.

<sup>31</sup>The latter may be a special case in that such developments have occurred in spaces meant for keeping the animals of Rabaris in a public housing scheme.

<sup>32</sup>The cost of such a house, inclusive of land cost, was estimated at approximately Rs. 3,500 (Kaushik, 1981). The rate of return thus works out to be 25 per cent per annum, though at HUDCO's terms for EWS the economic rent would have been only Rs. 20 per month. Looked at it in another way, these households can afford a house costing Rs. 12,800, at HUDCO's terms for EWS..

<sup>33</sup>In 1976, according to AMC, 1976, the average rent being paid was Rs. 12.5 per month and about 65 per cent of the households were paying rent. Applying these same parameters to an estimated 1.3 lakh households in slums in 1981 the total rents came to almost 1.27 crores per annum. Even this may be an underestimate as it is quite likely that both the rents and proportion of households paying rents have increased in the last five years.

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## Book Reviews

*Urban Fringe Land Markets—An Economic Analysis*, KIRAN WADHVA, New Delhi, Concept Publishing Company, 1983, pp. 212, Rs. 90.00.

Urban land market is an area fraught with promises and challenges both for theoretical as well as empirical research. In view of the almost total neglect of the subject by urban economists and planners in India, Kiran Wadhva's study of the land market in urban fringe with a case study of Ahmedabad becomes immediately interesting and important.

Using essentially a partial equilibrium framework, the author tries to explain the rationality of individual buyers or sellers of land in terms of their calculations of net present value. From this, she proceeds to derive demand and supply functions for spatially separated sub-markets by aggregating the amounts demanded and supplied by individuals at different prices. Effects of changes in various economic parameters, viz., income, rate of interest, agricultural productivity, distance from city, etc., are shown to be affecting shape and position of the functions through changes in the net present value. In the second and third chapters, the net present value as well as demand and supply are taken to be determined by variables pertaining to the same point of time and hence these have no time subscript. In the subsequent analysis, however, this simplistic approach has been dropped and both demand and supply functions are shown as having dated explanatory (price) variables. At the end of each time period, it is argued, that the participants in the land market would review their calculations and the past decisions and their consequences would become data in the subsequent analysis.

In the fifth chapter, Wadhva examines the effect of fiscal measures, viz., land revenues, capital gain tax and property tax, on the equilibrium in the land market. It is postulated that while increases in land revenue may bring down the farmers' reservation price for land and occasion a shift of the supply curve to the right, the effect of a capital gain tax would be just the opposite. Demand function, on the other hand, would tend to become less elastic and shift to the left with the imposition of a property tax.

Based on the information collected from the village farms



regarding prices and quantities of land transactions during 1961-76 in seven villages situated in the north-west of Ahmedabad (old city) and classifying them by distances from the city centre/periphery and by the villages. Wadhva provides interesting insights into the pattern of land development in the fringe areas. She argues that land prices do not vary continuously in space, but tend to define clear-cut sub-markets. The urban sprawl in the hinterland is attributed to the land values falling sharply with distance and certain defective government policies. Using a simultaneous equation system, it is shown that the demand for land falls with its price in the same area (sub-market) and rises with the price in the adjacent area (closer to the city). The estimated supply function, too conforms to *a priori* reasoning in case of most of the sub-markets, as it (supply) relates positively with the land value and negatively with agricultural productivity.

The theoretical discussion in the book is good as far as it goes, but unfortunately it does not go very far. The elegant graphs used in explaining, what the author describes as "the semi-dynamic", analysis, as well as the algebraic formulations of net present value under different sets of conditions do not have much bearing on the subsequent empirical investigation. At best, these provide a loose rational- for the inclusion of certain variables in the econometric model. Often, Wadhva argues a simple point with a lot of geometry and algebra which tends to be a bit tiring. The presentation has the flavour of a text book, although the oversimplified treatment of land market, especially in the earlier chapters, may become a strait-jacket for an empiricist.

The confidence gathered from the statistical results, based on the data of 'registered transactions', may prove to be misplaced as the author had to keep much of the speculative activities out of her analysis. The conclusions regarding the negative effects of government intervention in the land market in the mid-seventies are too strong and merit qualifications. In bridging the gap between the 'Isolated State' of von Thunen and the seven little hamlets in the Ahmedabad city region, Wadhva travels a long distance and one, therefore, notices a few 'sprawls' in the structure of her argument. Finally, the mathematical typesetting requires much more care on the part of the author and the publisher.

The above comments may appear too critical but these are made primarily because the book deserves a critical reading. In view of the poetry and polemics in the field of urban planning, it is refreshing to see a rigorous empirical piece on urban fringe. The study, which the author herself recognises to be of 'exploratory nature', bears eloquent testimony to her clarity of thinking and specificity in

terms of directions of investigation. We look forward to many more useful works by her in this area, to provide a better understanding of the complex nexus of forces operating in the urban land market.

—AMITABH KUNDU

*The Management of Squatter Upgrading in Lusaka: Phase 2—The Transition to Maintenance and Further Development*, DAVID PASTEUR, DAG Occasional Paper No. 15, Development Administration Group, Institute of Local Government Studies, University of Birmingham, 1982, pp. 94.

The monograph under review is a follow up study of the large scale squatter upgrading and the site and services project executed in Lusaka in 1974 by a specially designed organisation—The Housing Project Unit (HPU) which had the autonomy and independence to a great extent yet located within the Lusaka City Council (LCC). This was earlier the subject of a comprehensive study by David Pasteur himself.\* After the completion of the project the operation and maintenance function was handed over to the LCC by specially creating the Periurban section within the Department of Housing and Social Services (DHSS) with a mandate to coordinate maintenance and service activities of other departments of the LCC and also to undertake extension activity for further carrying on the housing development process.

However, after the abolition of the HPU, the need for a new organisation was again felt in 1977 for slum upgrading, this time on a smaller scale and by creating a separate unit—the Kalingalinga Project Unit (KPU) within the LCC's regular Department of Housing and Social Services. It was supposed to do this job in conjunction with other departments of the council and also with the outside agencies.

The monograph's objective is to describe the institutional arrangements under which these two activities are being carried out and to assess their significance as well as potential for the future and the problems they face.

Pasteur is thus dealing with two distinct yet interesting situations of institutional arrangements for the improvement of low income settlements in Lusaka—the capital city of a third world country: (i) the HPU equipped with greater autonomy in decision making and

\*David Pasteur, *The Management of Squatter Upgrading: A Case Study of Organisation, Procedures and Participation*, Saxon House, Farnborough, 1979.

financial matters having innovative staff, style and procedures though operating within the LCC, and (ii) the Periurban and the KPU functioning with the staff, procedures and style of a conservative DHSS. Pasteur concludes that the special project approach has definitely helped the long-term institution building process in Lusaka. Left to the regular departments of the LCC, the leadership and drive required to adopt innovative ways of doing the things would have not been forthcoming in ample measure. He, therefore, suggests that some degree of 'specialness' is necessary for setting the "project off on an innovative path".

One may agree with Pasteur if the logic of 'specialness' is extended only for creating sections within the municipal authorities for the purpose of focusing the importance of the 'tasks' to be performed. If extended to giving the most favoured treatment in terms of better service conditions and support services, such a department or the section within it will ultimately drift apart, as happened with the HPU. However, the Periurban section as also the KPU present an attractive policy option for institution building both for undertaking the development and the maintenance functions. Equally attractive and comprehensive is Pasteur's analysis of institution building in Lusaka.

The Lusaka experience in institution building for the development and improvement of low income settlements is thus interesting and relevant in the Indian situation where since the early sixties there has been a spate of special purpose authorities by weakening the urban local-self government. This has also created the artificial dichotomy between development and maintenance functions. In Lusaka, for performing housing development and maintenance functions, the special purpose organisation gave way to the HPU and the KPU as partial project organisation set up under the umbrella of the Lusaka City Council. In the maintenance phase too, the Periurban section, a part of the LCC's DHSS, not only coordinated the maintenance of the low income settlements, but it also performed extension functions for maintaining the tempo of housing development process.

Pasteur's study of institution building for the improvement of squatter settlements in Lusaka and his minute and penetrating analysis of the personnel system, the management system and financial aspects of the institutional arrangements will prove to be immensely useful for evolving suitable organisation to deal with the management of squatter settlements in the third world countries.

—GANGADHAR JHA

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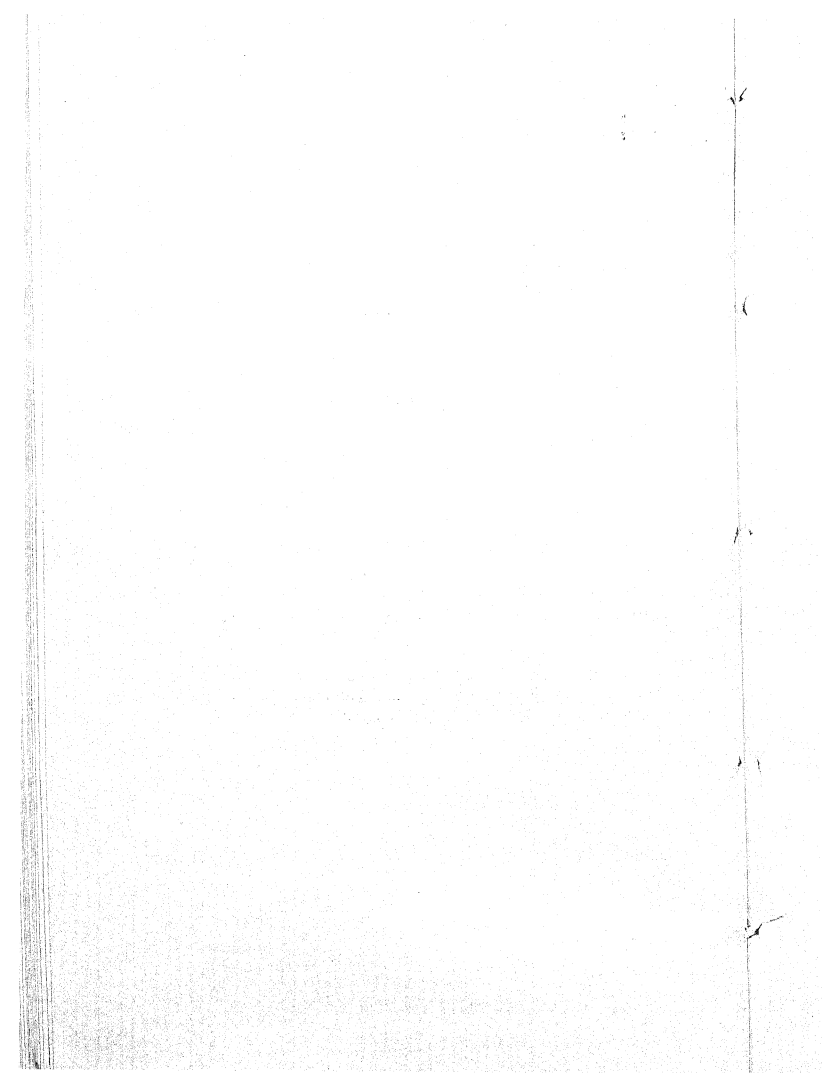
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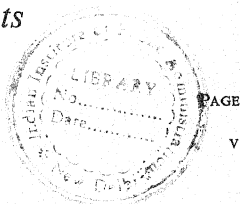
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## *Our Contributors*

SHRI KALYAN BISWAS is Secretary, Industrial Reconstruction Department, Government of West Bengal, Calcutta.

PROFESSOR ABHIJIT DATTA is Professor of Urban Administration and Development and Municipal Finance, Indian Institute of Public Administration, New Delhi.

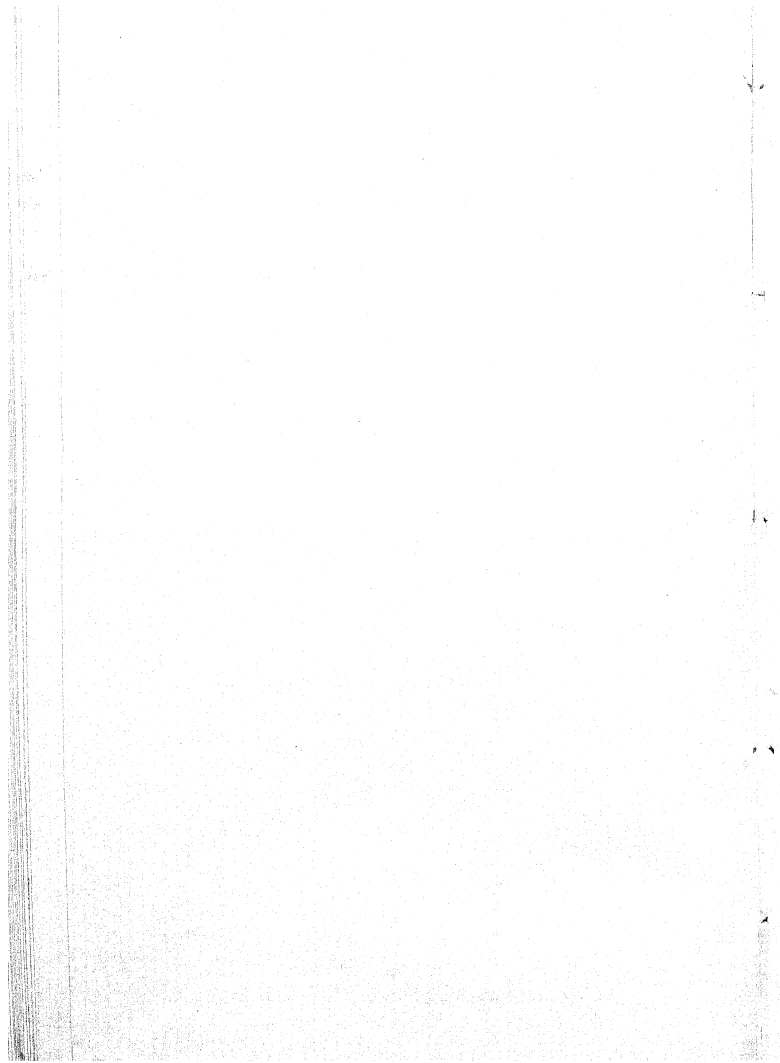
SHRI GANGADHAR JHA is Lecturer in Urban Studies, Indian Institute of Public Administration, New Delhi.

PROFESSOR EDWIN S. Mills is Professor of Economics, Princeton University, Princeton, NJ, USA.

PROFESSOR ASOK MUKHOPADHYAY is Professor of Urban Studies, Indian Institute of Public Administration, New Delhi.

DR. K.N. REDDY is Professor at the National Institute of Public Finance and Policy, New Delhi.

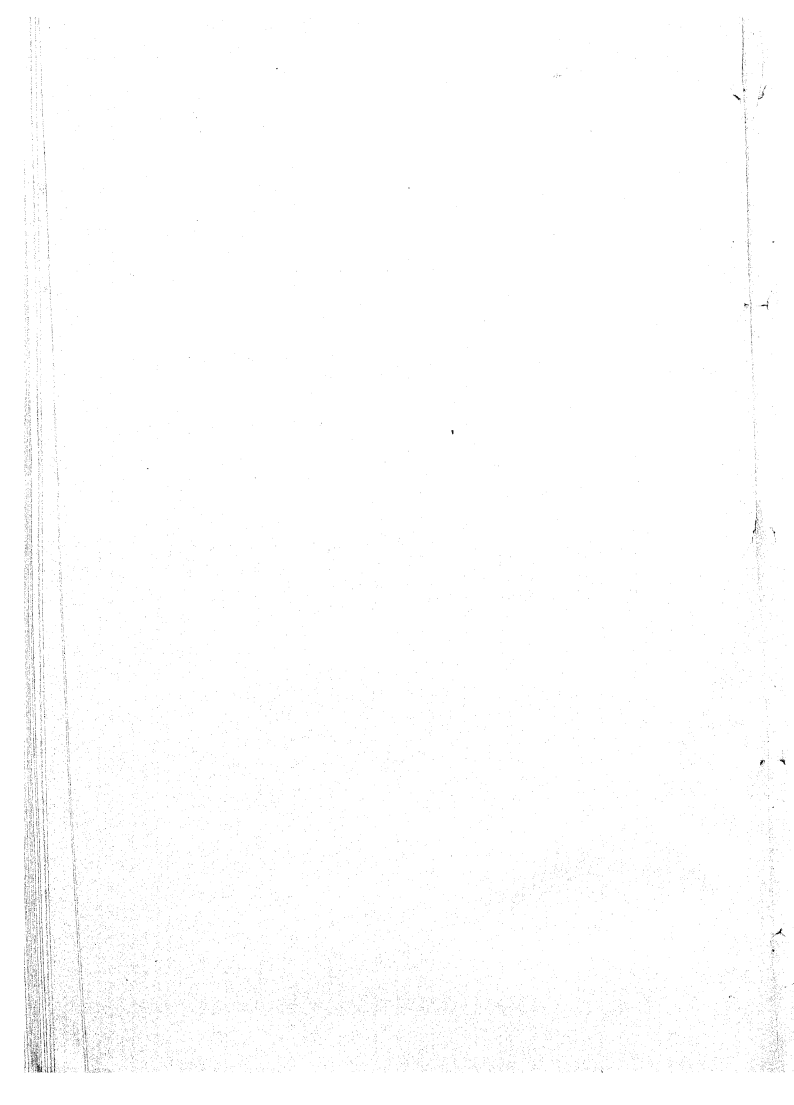
DR. (MRS.) KIRAN WADHVA is Assistant Professor, Sardar Patel Institute of Economic and Social Research, Ahmedabad.



## Editorial

Following the lead given by a recent United Nations Publication, *Methodologies of Policy Analysis and Development : Some Major Issues* (New York, 1981), we decided to bring out the present special issue of *Nagarlok* on 'Policy Analysis for Urban Development'. This issue contains papers, written by our internal faculty as well as by outside experts, which have adopted the methodology of policy analysis to the various schemes of urban development in India. The results show embarrassing gaps in the precepts and practices of urban policy-making. We present these papers to our discerning clients in the hope that our efforts would eventually help improve the capabilities of our public agencies to undertake realistic appraisal of various policy options for decision-making at appropriate levels, and also ensure a rational framework for urban policy-making.

—Editor



# *The Concept of Overurbanisation*

EDWIN S. MILLS

THE NOTION that economic life provides excessive incentives for people to locate residences and businesses in urban areas is ancient and exists in nearly all countries. Without much analysis, governments have accepted the view and have adopted a range of policies to deter urban growth. In India, for example, industrial licensing, concessionary loans, location policies for government-owned industries and several other programmes are used to deter urban locations of residents. In India and other countries the most important programmes are aimed at manufacturing location.

Historically, most analysis of reasons for overurbanisation has been in terms of external diseconomies of urban life, mostly congestion and environmental deterioration. In addition, there has long been public debate about another issue, infrastructure costs.

Emphasis has recently been placed on the infrastructure costs of urbanisation by Lewis. He says (p. 39):

Urbanization is a decisive factor because it is so expensive. The difference between the costs of urban development and rural development does not turn on the difference of capital required for factories and that required for farms. Each of these is a small part of total investment, and the difference per head is not always in favour of industry. The difference turns on infrastructure.

He then goes on to enumerate infrastructure costs that are larger per capita in urban than in rural areas: housing, education, health, water supplies, transportation, etc. Lewis wisely does not claim that infrastructure financing leads to overurbanisation. However, he believes that urban infrastructure needs are the major explanation for recent growth of foreign indebtedness in developing countries.

The purpose of this paper is to explore the concept of overurbanisation: to ask why economic incentives might lead to excessive urbanisation and what governments should do about it.

As a preliminary, it should be said that much of the debate is not



really about urban versus rural development. For example, most of those who favour controls on urban locations of industry do not really favour rural locations. On the census concepts employed in India and in some other countries, location of a substantial manufacturing plant and a few ancillary activities in an entirely rural area would soon cause its reclassification as urban. Thus, it is almost definitionally impossible to locate industry in rural areas. Instead what is at issue is locations of industries in small urban places versus locations in larger urban areas. In this paper, it is assumed that locations in places under some small size, say 25,000 people, are rural. Locations in larger places are designated urban.

### AGGLOMERATION ECONOMIES

It is ironic that most policy discussion has been concerned with overurbanisation whereas the most carefully analysed and estimated phenomenon suggests that market forces may result in under-urbanisation.

A dozen or so studies have estimated how total factor productivity varies with city size.<sup>1</sup> Most studies assume that total factor productivity varies with city size just as disembodied technical progress increases total factor productivity through time. The best estimates are that the elasticity of total factor productivity with respect to city size is about 5 to 7 per cent. All the estimates I have seen are with US data. No such study appears to have been undertaken with Indian data. However, it is unlikely that results would differ substantially with Indian data. Almost certainly, the most important cause of the agglomeration economies that have been estimated is the lower transportation cost of inputs and outputs that large cities make possible, since inputs and outputs need be shipped much less far if they can be bought and sold within the city than if they must be bought and sold elsewhere. That phenomenon is unlikely to be less important in India than elsewhere.

Since agglomeration economies depend on the total scale of economic activity in the city and not on the scale of particular firms, they are external economies of city size and lead to excessively small urban areas. It must be that agglomeration economies are exhausted at a sufficiently large size of an urban agglomeration, although research has not produced reliable estimates. As a practical matter, it is probably dangerous to use them as an argument for permitting growth of urban agglomerations of more than 5 million or so people. But they must be important in comparing rural and urban locations.

<sup>1</sup>See Ronald Moo man, for a survey.

A 6 per cent elasticity of total factor productivity with respect to city size means that a city of 100,000 people is 15 per cent more productive than a rural place of 10,000 people, and a city of 1 million people is 32 per cent more productive than a rural place of 10,000 people.<sup>2</sup>

Not enough is known about supplies to cities of various sizes, or about the city sizes at which agglomeration economies are exhausted, to be able to say by how much urbanisation is too small because of agglomeration economies. But it is certain that substantial agglomeration economies must be offset against any incentives that economic forces provide for overurbanisation.

### SOCIAL EFFICIENCY LOSSES FROM OVERURBANISATION

Many reasons are given for believing that market forces lead to excessive urbanisation from the point of view of efficient use of society's scarce resource. For purposes of this paper, it is convenient to classify claims into three categories.

#### *Incidental Effects of Government Actions*

Many government actions whose aims are unrelated to urbanisation may nevertheless promote urbanisation. For example, many governments protect domestic manufacturing from foreign competition by import quotas, tariffs and related programmes. Such actions mark the domestic manufacturing industry larger than it would otherwise have been. Since manufacturing plants have predominantly urban locations, such protection increases the size of the urban sector.

In this example, growth of manufacturing is the goal of the government's action and urbanisation is an incidental byproduct. The point is that if it is justifiable to stimulate domestic manufacturing then it is justifiable to permit it to locate where it can grow to its greatest potential. If its most efficient location is in urban areas, the fact that it results from government protection is no reason to interfere with normal locational decision-making. The fact that manufacturing growth results from protection creates no presumption that urban locations is less desirable than if the manufacturing had grown without protection. Urbanisation is a desirable, though incidental, byproduct of the decision to stimulate manufacturing growth by protection.

#### *Diseconomies of Urbanisation*

It is frequently claimed that urbanisation entails diseconomies that are external to firms and households that make locational decisions, and that excessively many firms and households therefore

<sup>2</sup>The formula is  $\frac{Q_1}{Q_0} = \left( \frac{P_1}{P_0} \right)^{.06}$ , where  $Q_1$  and  $Q_0$  are total factor productivities of places with  $P_1$  and  $P_0$  people respectively, where  $P_1 > P_0$ .

locate in urban areas. Most such diseconomies fall under the headings of pollution and congestion. There can be little doubt that pollution and congestion are external diseconomies or that they tend to be worse, on a per capita basis, in urban than in rural areas.

If the only way to reduce pollution and congestion were to control concentrations of people and jobs in urban areas, then controls on urbanisation would be justified. But pollution and congestion result not only from urban concentration of people and jobs, but also from the ways resources are used in urban areas. Pollution can be reduced by collection, transport and/or treatment of wastes and by controls on private polluting discharges. Congestion can be reduced by improved pricing and management of urban transportation systems.

Furthermore, it is by no means certain that government programmes to reduce pollution and congestion in urban areas would reduce urbanisation. Government regulations on urban activities that cause pollution and congestion increase the cost of undertaking such activities in urban compared with rural areas. That tends to reduce urban locations of such activities. But controls on pollution and congestion also reduce the amounts of these disamenities thus raising utility levels of residents and productivity of firms affected by pollution and congestion in urban areas. That has the effect of making urban areas more attractive for residential and employment location, thus increasing urbanisation. Thus, the net effect of government policies to control congestion and pollution is the difference between two effects that move in opposite directions. The net effect can go in either direction.<sup>3</sup> A guess is that government policies to control pollution and congestion have only small effects on urbanisation, and that their main effects are to improve welfare of urban residents. Regardless of that, the correct government action to control any disamenity of urbanisation is to formulate programmes that reduce the disamenity. Any effects on urbanisation are incidental.

### *Infrastructure*

The term is used here to refer to capital facilities, mostly owned by local governments, to produce important services for residents. Among the services are: health, education, water supply and waste disposal, and gas and electricity. Just after the quote in section 1 above, Lewis includes housing in his list of types of infrastructure capital. The important issues regarding infrastructure and overurbanisation relate to the fact that infrastructure is provided by governments and financed through taxes. If, for whatever reason, urban residents choose to spend large parts of their incomes on housing, it is not a cause of overurbanisation. Housing is relevant only because

<sup>3</sup>See George Tolley

governments subsidise housing in many developing countries. To that extent, housing enters the overurbanisation debate if, for example, governments subsidise urban housing more than rural housing.

The first point to be made is that the subject is important. Infrastructural services are expensive and are of great value to residents and employers. It stands to reason that if excessive amounts of infrastructure are provided in urban areas, then excessive numbers of residents and employers may be induced to locate there. For example, it is difficult to doubt that national capitals that contain 65 to 80 per cent of a country's urban population are excessively large and that at least part of the cause is excessive infrastructural investment there in comparison with other locations.

Few countries have data on stocks of infrastructural capital, except for housing. What is known is that urban local governments spend more per capita than do rural local governments on infrastructure services<sup>4</sup>: housing, education, health, etc.

Most discussions of infrastructure and urbanisation claim that urban residents require more infrastructure services than do rural residents and/or that costs of specific services are higher in urban than in rural areas. Lewis for example, makes both claims. The former argument can hardly be important. Urban residents require a few government services that do not need to be provided in rural areas. Piped water and waste disposal are probably the best examples. These services can be provided by natural systems at low rural densities. But these are mostly not large parts of urban government budgets. Although more education is provided to urban than rural residents in most countries, it is a cost of economic development, not of urbanisation. Education is needed to promote modern production and high productivity, more in urban occupations, but to a considerable extent in rural occupations (King, 1980) The fact that most educational institutions are located in urban areas has to do with scale economies and costs of transporting students.

Nor is it true that urban infrastructure services are necessarily more expensive per capita for given service levels than are rural services. High urban land values and wage rates tend to make given amounts of urban infrastructure services more costly than rural infrastructure services. But there are economies of high population density for most such services (Johannes Linn, 1982;) For example, infrastructure costs for given transportation services tend to be lower in urban than rural areas, despite the high cost of urban land used for transportation, because trip distances are much shorter in urban than rural areas and because high urban population densities permit roads

<sup>4</sup>See Linn and Indian data, see Abhijit Datta.

to be used much more intensively than in rural areas.

The kinds, amounts and costs of infrastructure services that are appropriate in urban and rural areas certainly depend on local circumstances, especially incomes and population densities. Service costs and per capita expenditures imply nothing as to whether infrastructure service levels are excessive or deficient in particular places. That can be done only by careful benefit-cost analysis. The more fundamental question is what system of infrastructure financing and decision-making leads to incentives that induce appropriate infrastructure investments and hence appropriate levels of urbanisation.

For most infrastructure services, economies of scale and coordination imply that it is advantageous that the service be provided by a single supplier over a substantial area. In most countries, it is believed that the political system provides better constraints on monopoly pricing by publicly owned suppliers than the market system would provide on privately owned suppliers for such services. Where beneficiaries of such services can be identified and their service consumption can be metered cheaply, services should be financed by user fees. This certainly applies to gas, electricity, telephone and postal services. If scale economies imply optimum prices below average costs, then fixed costs can be financed by use of a two-part tariff. Such services should be provided only where people are willing to pay their cost in user fees. That system provides for optimum supplies of the infrastructure services and for optimum incentives to urbanise, for the relevant set of services.

What about infrastructure services whose beneficiaries cannot be easily identified or whose use cannot be easily metered? Such services have characteristics of local public goods. Streets and roads mainly used by diverse local traffic have this characteristic; so do police and fire protection and basic sanitary services. These services should be financed by locally raised taxes and their amounts should be determined by the local political process. This provides the closest matching possible between service provision and willingness-to-pay.

Local control over a substantial part of local infrastructure services, financed by user fees and local taxes, is the hallmark of federal systems such as India and the United States. It provides a local matching of infrastructure services and willingness-to-pay, and the best approximation available to correct incentives to expand infrastructure and attract migrants. Under this system, local governments are motivated to expand infrastructure only to the extent that residents and migrants are willing to pay the cost of the services. The system is by no means perfect, but it is difficult to imagine a system that better matches local infrastructure service provision with willingness-to-pay.

Local control over a substantial part of infrastructure provisions and financing provides a good approximation to optimum incentives to urban migration. People are induced by infrastructure services to migrate to urban areas only if the service benefits to them exceed the tax and user fee costs they must pay. Evidence indicates (Henderson, 1982) that local decision-making regarding infrastructure provides a much dispersed system of city sizes than does the alternative of infrastructure location and financing at the direction of national governments. That creates a strong presumption that local control also provides a better allocation of people between urban areas and rural areas or small towns than does national government allocation.

Education does not fit easily into the above classification. Most of its benefits accrue to the recipients of the education, but substantial benefits accrue to the country as a whole, especially in developing countries (King, 1980). In addition, in most countries it is felt that the young should not be deprived of basic education by virtue of being born into poor families or communities. This suggests cost sharing by local and state or national governments.

#### EQUITY ISSUES

The preceding analysis indicates that it is a mistake for national governments to induce or coerce industries to locate in small towns or rural areas as part of a policy to slow urban growth. But such industrial dispersion programmes are justified only in part on the efficiency grounds discussed above. A powerful justification in many countries, including India, is equity. Most industrial jobs are high paying and the poor are concentrated in rural areas. Thus, it is thought that the inequality of incomes can be reduced by locating industries in rural areas.

This argument views industry as a goose that will lay golden eggs wherever it is placed. In most developing countries, including India, much industry is only marginally profitable. To encourage needed industrialisation, it is important that industry locate where it can produce most efficiently and expand to its maximum potential. Wherever it is given the option, industry chooses urban locations for the sound reason that its comparative advantage is there. To induce it to locate in small towns or rural areas is to risk its failure or the need for long-term subsidisation by provision of money, subsidised infrastructure services or protection from competition. The correct way to improve rural income is to foster the growth of activities that have a comparative advantage in rural areas. By and large, that means adoption of programmes to raise agricultural productivity. With the best incentive system in the world, the result of urban

industrial growth and rural agricultural growth will be a substantial rural-urban migration. It is a natural consequence of economic development and has beneficial equity effects in comparison with programmes that artificially retain people in rural activities.

Income inequality eventually declines in developing countries because of the gradual spread of high productivity, modern sector employment to all segments of the labour force. There is no evidence or analysis that indicates that national income inequality is reduced by artificial inducements to industry to locate in rural areas. In fact, it is likely that the same kinds of people who would have migrated to urban areas and obtained expanding industrial jobs there will instead stay in rural areas and obtain industrial jobs there if industry is induced to locate in rural instead of urban areas. But real wages will be lower in rural areas because they are less desirable locations for industry.

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# *Land Nationalisation in Delhi: A Policy Analysis*

GANGADHAR JHA

DELHI, IN the realm of urban development, claims the status of being the first city in India on several counts: it is the first city to have a comprehensive planning exercise for urban development which culminated in preparation of the Master Plan for Delhi (1961-81); it is the first city to have notification for acquisition of virgin agricultural land on a massive scale even before the approval of the Master Plan which resulted in the enunciation of a 'progressive' urban land policy in this country; and it is the first city to have the seed capital to be utilised and revolved for such large scale acquisition, development and disposal of land which emerged as the 'revolving fund' completely outside the Five Year Plan funds. Delhi, on all these three counts, is said to have achieved positive results and the 'Delhi Model' of large scale acquisition, development and disposal of land by revolving the seed capital has often been suggested for application in the various states and union territories in the country.

The paper evaluates the urban land policy in Delhi by examining its various policy components. This would enable an understanding of the utility and scope, if any, of its replicability elsewhere. It, therefore, briefly recounts developments leading to the enunciation of the land policy and then examines the operationalisation of this policy during the life span of the first Master Plan for Delhi. In view of the possible policy alternatives, the paper raises certain issues which may be relevant for suitable modification of Delhi's urban land policy.

## URBAN LAND POLICY : THE BACKGROUND

The urban land policy in Delhi came into being as a sequel to the distortions in the functioning of the erstwhile Delhi Improvement Trust (DIT) set up in 1937 for the management and development of land to meet the demand for urban land. However, the large scale



exodus of refugee population, after the partition of India in 1947, completely overwhelmed the static DIT in catering for the increased demand for land. The Government of India, therefore, constituted a Committee (Delhi Improvement Trust Enquiry Committee, known as the Birla Committee) to examine the working of the DIT and suggest ways and means of redeeming Delhi from the chaotic conditions resulting in the congestion and unauthorised occupation of public land by the refugee population.

The Committee detected two basic flaws in the working of the DIT, viz., (a) considerably larger areas of urban land were frozen by the DIT by not developing the land lying at its disposal<sup>1</sup>, and (b) distribution of land for the high income groups who could afford to bid for land in auction.<sup>2</sup> These distortions apparently militated against the very objective for which the DIT had been constituted in Delhi. The Birla Committee, therefore, recommended for doing away with the DIT altogether and substituting it by a single planning and controlling authority for urban development in Delhi on the basis of a Master Plan.<sup>3</sup>

This led to the initiation of exercises leading to the preparation of initially the Interim General Plan in 1957 and then the final blue print for urban development—the Master Plan for Delhi (approved in September, 1962) under the aegis of the erstwhile Town Planning Organisation (now the Town and Country Planning Organisation) and a team of experts from the Ford Foundation called especially for this purpose. Organisational support to implement the plan came in the form of initially setting up of the Delhi Development Provisional Authority in October, 1955 and then finally the Delhi Development Authority (DDA) in December, 1957.

Concurrently with these developments, considerable thinking was also given to devise a suitable urban land policy for making available enough quantity of urban land as an important policy appendage for the implementation of the Delhi Master Plan. A high-powered Committee was appointed by the Central Government under the chairmanship of the Chief Commissioner (now the Lieutenant-Governor) of Delhi in February, 1959 for suggesting policy measures for the acquisition, development and disposal of land in Delhi,<sup>4</sup> so that the land values could be controlled and stabilised. Among other things,

<sup>1</sup>Government of India, Ministry of Health, *Report of the Delhi Improvement Trust Enquiry Committee*, Vol. I, Delhi, Manager of Publication, 1951, p. 3.

<sup>2</sup>*Ibid.*, p. 4.

<sup>3</sup>*Ibid.*

<sup>4</sup>Government of India, Ministry of Works and Housing, *Report of the Committee of Experts on the Assessment of the Working of Delhi Development Authority, 1974-75* (Mimeographed), p. 53.

the Committee gave two important suggestions : (a) in order to fully meet the demand for land, the entire vacant land within the urbanisable limits should be acquired and the land thus acquired should be developed by providing necessary financial resources for it. This, the Committee thought, would prevent speculation in land leading to decline in urban land values; and (b) in order to cater to the increasing demand for land, each year a minimum of 5000 plots should be made available in the land market by the concerned authorities.

Soon afterwards, the Government of India took a step of far reaching importance in November, 1959 by notifying 34,070 acres of agricultural land for acquisition. Finally, a 'progressive' urban land policy came into being under the orders of the Government of India's Ministry of Home Affairs in May, 1961 preceding the approval of the Master Plan in September, 1962. Though amended from time to time, this constitutes the basis of urban land policy in Delhi. After the declaration of this policy, again a vast stretch of agricultural land (16,000 acres) was notified for acquisition in October, 1961. Thus an area of 50,070 acres of land was frozen from private development even before the final approval of the Master Plan. This step was taken ostensibly for preventing large-scale private hoarding and speculation in land. With this historical perspective, let us now turn to an examination of the urban land policy as enunciated in 1961.

#### URBAN LAND POLICY : THE DELHI MODEL

The urban land policy emanating from the declaration of 1961 is known as the "Scheme of Acquisition, Development and Disposal of Land"<sup>5</sup> Under this policy, land was not to be sold, but to be leased in the name of the President of India. Developed land was proposed to be given to public and private institutions and the individuals, and undeveloped land to the house building cooperative societies, as also the cooperative societies of industrialists and manufacturers. Such land was supposed to be developed by them within a period of three years, failing which land was proposed to be resumed. The ceiling on the size of residential plots was kept at 800 sq. yds. for individuals and 12,000 sq. yds. for the cooperative house building societies.

As a general policy, land was proposed to be leased out on the basis of auction except : (i) the individuals whose land has been acquired, (ii) the individuals in the low income group (with an income of Rs. 7,200 per annum and less), (iii) the industrialists requiring to shift the factories from the existing locations, and (iv) the cooperative

<sup>5</sup>Government of India, Ministry of Home Affairs, Letter No. 37/16/60-Delhi (j), dated the 2nd May, 1961, addressed to the Chief Commissioner, Delhi.

societies of the prospective house builders, industrialists and manufacturers who were proposed to be allotted land at 'pre-determined' rate (which was to be worked out on the basis of cost of acquisition and development and an additional charge ranging from Rs. 3 to Rs. 8 per sq. yd depending upon the size of the plot). The scheme also envisaged to charge an annual ground rent at the rate of  $2\frac{1}{2}$  per cent of the premium. A complete ban on sale of allotted plot within a period of ten years after the allotment was imposed. However, one could sell the allotted land after ten years, provided 50 per cent of the unearned increment in land value was paid to the government. It is worth mentioning that a "suitable percentage of the area developed for private housing by the DDA" was to be kept in reserve for the low income group.

The 1961 policy statement was amended in July 1967 and February, 1970. Among the changes brought about in the policy, the important ones were : (a) allotment of land at predetermined rate to the middle income group, (with an annual income of Rs. 7,201 to Rs. 18,000); (b) a ceiling of 125 sq. yds and 200 sq. yds. was put on the size of plots to be allotted to the low income group and the middle income group respectively; (c) reservation in the allotment of land was made for certain categories, like, the sitting Members of Parliament (5 per cent), salaried class (50 per cent), scheduled castes and tribes (15 per cent), widows and dependents of the defence personnel and the disabled service personnel (15 per cent); and (d) land to be allotted to the house building societies only for the group housing and not for individual plotted housing.

Thus the important components of the urban land policy were : (i) freezing of private development of land; (ii) acquisition of land on a large scale for supplying developed land at right time and at a reasonable price in sufficient quantity; (iii) allotment of land at predetermined rate to the low income group (LIG), the middle income group (MIG) and the cooperative societies, but according to the highest bid in an auction to the high income groups (HIG); (iv) sale of land for commercial purposes in auction; (v) land tenure to be on the basis of perpetual lease and not on the basis of outright purchase with a ground rent of  $2\frac{1}{2}$  per cent per annum, and (vi) a 'suitable percentage' of land to be distributed to the LIG.

These components of land policy were devised with a view to "introducing measures of control on land values and stabilising land prices in the urban areas of Delhi".<sup>6</sup>

<sup>6</sup>Government of India, Ministry of Home Affairs, Letter No. 37/16/60. Delhi (i.) *op. cit.*

## DEVELOPMENT OF VIRGIN AREAS

The urban land policy, as mentioned earlier, preceded the approval of the Master Plan for Delhi and, therefore, came as a strong support for translating the proposals of the Master Plan. The plan identified Delhi's urbanisable limits for 1981 having a total area of 1,10,500 acres<sup>7</sup> including the already built up areas. The virgin land to be developed for different land uses is given in Table 1 below:

TABLE 1 PROPOSED NEW DEVELOPMENT OF LAND FOR  
VARIOUS USES—1981

<i>Land Use</i>	<i>Area in acres</i>
1. Residential	30,000
2. Industrial	4,800
3. Commercial	1,900
4. Government	500
5. Recreational (Parks)	25,000
TOTAL	62,200

Thus an area of 62,200 acres of new virgin land was supposed to be developed. Financial support for the large scale acquisition and development of land came in the form of a seed capital of Rs. 5 crores provided by the Government of India. This was later on augmented to Rs. 12.31 crores. This is known as the Revolving Fund and it forms part of the Consolidated Fund of India and is to be operated by the Delhi Administration. The modalities of the scheme of large scale acquisition, development and disposal of land require the Delhi Administration's Land and Buildings Department to acquire land for new development. The acquisition cost is to be met by drawing the money from the revolving fund. The expenditure on the development of land by the different agencies is again met from the revolving fund and all the receipts from the disposal of land are to be credited to the revolving fund. Ground rent, damages, penalties, licence fee, etc., were to be regarded as the revenue receipts and hence to be credited to the appropriate major and minor revenue heads of the budget accounts of the Government of India.

The revolving fund was thus supposed to be an instrument to mobilise funds needed to implement the master plan proposals. The seed capital was to be revolved in a manner to generate enough funds so that the public exchequer subsequently could not be subjected to

<sup>7</sup>Delhi Development Authority, *Work Studies Relating to the Preparation of the Master Plan for Delhi*, Vol. I, (no date), pp. 404.

financial pressure for additional funds. The basic idea was to utilise land as resource for generating funds for urban development.

With the enunciation of the land policy, creation of the revolving fund, approval of the master plan and the notification for the acquisition of about 74,000 acres of land till 1961, the stage was fully set for operationalising the progressive urban land policy and for properly implementing the plan.

#### WORKING OF THE URBAN LAND POLICY

It would be desirable to review the operationalisation of this scheme in relation to the objectives of the Delhi Master Plan as the land policy was conceived as a strong policy support for implementing the plan. This section of the paper, therefore, reviews the working of the land policy in relation to plan implementation and evaluates it in terms of: (1) land acquisition, (2) land development, (3) distribution of land, (4) land values, (5) land pricing, and (6) land tenure.

##### *Land Acquisition*

As mentioned earlier, in order to promote planned development, the master plan had conceived the urbanisable limits for 1981 and proposed the development of about 62 thousand acres of virgin land. Against this requirement for new land, the land acquired till April, 1980 was 42,548 acres.<sup>8</sup> Till the end of the Master Plan's life span in December, 1981 the area acquired was to the extent of 44,936 acres.<sup>9</sup> Thus the acquisition of land lagged behind by more than 21 thousand acres. Of this, 2,790 acres could not be acquired because of their unofficial occupation by the encroachers on land.<sup>10</sup> Deficiencies in land acquisition thus adversely affected implementation of the Master Plan proposals. Thus, in spite of notification of huge chunks of agricultural land and the financial support provided in the form of the revolving fund, sufficient quantity of land could not be acquired to facilitate the implementation of the plan proposals. As is discussed subsequently, the unauthorised occupation of about 300 acres of land, which could not be acquired, is again a result of a tardy development of land by the DDA.

<sup>8</sup>Sayed S. Shafi and S.S. Dutta, "Urban Land Policy in Delhi: A Critique", paper presented at the seminar on: *Land in Metropolitan Development* organised by the Times Research Foundation, Calcutta, April 17-18, 1982.

<sup>9</sup>*Ibid.*

<sup>10</sup>DDA, "Note Prepared for Answering a Starred Lok Sabha Question", February, 1983. According to an official report on the working of the DDA, the unauthorised colonies occupy an area of 7,500 acres. See, Government of India, Ministry of Works and Housing, *Report of Committee of Experts on the Working of Delhi Development Authority*, (Mimeographed), May 1978, p. 45.

### Land Development

Land development for some of the important land uses of the master plan is given in Table 2 below :

TABLE 2 DEVELOPMENT OF LAND BY THE DDA

Land Use	Area to be developed	Area developed	(Area in Acres)
			Shortfall Percentage
1. Residential	30,000	16,238.59	45.87
2. Industrial	4,800	2,148.51	55.13
3. Commercial	1,900	442.29	76.72
4. Horticulture	25,000	7,109.00	71.56

SOURCE : Calculated from Sayed S. Shafi and S.S. Dutta, *op. cit.*

The data given above pertain only to the land developed by the DDA. But as the DDA happens to be the prime agency for land development for various master plan uses, exclusion of other agencies does not alter the situation of land development in Delhi. Next to the DDA, the Central Public Works Department (CPWD) is the only other agency which develops land on a very limited scale to develop residential colonies for the Central Government employees.

It is obvious from the data given in Table 2 that whatever land was acquired, it could not be fully developed during the life span of the Master Plan. It is worth mentioning that an area of 16,238 acres of developed land for residential use include 4,181 acres developed for the relocation of squatters (*jhuggi jhompri*\* colonies) and 4562.75 acres developed by the house building cooperative societies. The shortfall in the development of land for residential use would in fact be more, firstly, because out of the total land developed for the relocation of squatters, about 839 acres of land is located in the greenbelt which is beyond the Master Plan's projected urban limits and was supposed to be 'inviabile',<sup>11</sup> and secondly, relocation of squatters on such a large scale as done in Delhi in recent years was not visualised by the plan and hence is outside the plan's framework. The plan target for residential land development itself proved to be on the lower side as it was targeted for meeting the residential land demand to cater to the needs of only 46 lakh population till 1981. The population in 1981 exceeded the plan's projection by 11.5 lakhs.

Slow pace of land acquisition and development ironically created a situation which the plan had envisaged to avoid by providing an

\*Hutments.

<sup>11</sup>Abhijit Datta and Gangadhar Jha, "Delhi : Two Decades of Plan Implementation", *Habitat International*, London (forthcoming).

adequate solution. Freezing of private development in the wake of the 1961 urban land policy and the slow pace of land development could not cope up with the increasing demand for land in urban Delhi which has been experiencing a fast rate of population growth since 1961.<sup>12</sup> This led to coming up of unauthorised colonies on a large scale. Presently, about a million people are residing in these colonies. Likewise, slow pace of land development for commercial use led to inadequate supply of commercial space and it resulted in conversion of residential houses into business use and unauthorised development of shops and establishments. Even though sale of commercial land happens to be the main instrument for mobilising funds for development, only two district centres, out of 16 proposed in the plan, could come up fully by 1981. Thus the freezing of land development by private sector and the slow pace of land development by the public authority created large areas of unauthorised, unplanned, settlements which the land nationalisation in Delhi and the Master Plan were supposed to prevent.

#### *Distribution of Land*

One of the objectives of the urban land policy in Delhi was to supply a suitable proportion of developed land to the LIG. Constraints on the availability of data relating to distribution of land to different income groups during 1961-81 does not permit an objective analysis of land distribution. However, the available information in this regard for different periods of time reveals that the major share in land distribution has gone to the HIG. According to an official report, between 1960-61 and 1970-71, the HIG got as much as 49.8 per cent of developed plots through auction. Those whose land was acquired (alternative allottees) were given 14 per cent of the total plots. The MIG and the LIG could get only 24.7 per cent and 11.5 per cent of the total plots respectively.<sup>13</sup> The proportion of land allotted to the LIG actually declined from 55 per cent in 1961-62 to 3.2 per cent and 1.9 per cent in 1969-70 and 1970-71 respectively. The LIG and the MIG during this period were allotted a small proportion of the total land area (not the plots) also. As much as 63.5 per cent of the total land distributed was sold to the HIG. The alternative allottees were given 14.5 per cent and the MIG and the LIG were allotted only 16.5 per cent and 5.5 per cent of the total land respectively. It is worth noting that only 15 per cent of Delhi's population constitutes the HIG. Economically Weaker Sections

<sup>12</sup>The percentage growth in population was 54.6 and 57.7 during 1961-71 and 1971-81 respectively.

<sup>13</sup>Government of India, Ministry of Works and Housing, *First Report of the Working Group on Mid-term Appraisal of the Delhi Master Plan and its Implementation* (Mimeographed), New Delhi, p. 3.

(EWS-17 per cent) LIG (36 per cent) and MIG (32 per cent) together constitute 85 per cent of Delhi's population.<sup>14</sup>

The DDA frankly admits it in a note prepared as an answer to a starred Lok Sabha question and justifies it on the ground of the need to revolve the seed capital. To quote from it :

Twenty years of the plan experience has indicated that initially the development programme was slow and centred primarily on high income plot disposal so as to make a revolving fund workable. From 1974 onward, however, the stress shifted to the needs of weaker sections and, as of today, only 4 per cent of the operations are towards auction for high income categories.<sup>15</sup>

However, according to a recent study of urban land policy in Delhi, the situation relating to land distribution does not seem to be as rosy as appears from the above passage. The data collected from the Land Commissioner, DDA, indicates that though there has been some improvement in the distribution of land to various income groups, the HIG is still found to have a large share in the distribution of land, as is obvious from Table 3 given below.

TABLE 3 DISTRIBUTION OF LAND TO DIFFERENT CATEGORIES  
IN DELHI (UP TO MARCH, 1982)

Category	No. of Plots	Area (Acres)	Percentage to the total
1. Auction (HIG)	9,570	602.7	47.1
2. Alternative Allotment	2,950	138.9	10.9
3. MIG	5,820	269.6	21.1
4. LIG	14,669	267.2	20.9
TOTAL	33,009	1,278.4	100.0

SOURCE : Land Commissioner, DDA, May 1982. Taken from Sayed S. Shafi and S.S. Dutta, *op. cit.*

In addition to the above plots, the DDA distributed 1.98 lakh plots mostly of 25 sq. yds. to the squatters relocated in 44 resettlement colonies at a licence fee of Rs. 7 per month. If one includes this in the total number of plots distributed, the percentage share of the HIG comes down to about 5 per cent. But it is worth mentioning that the relocation of squatters have continued to be funded through plan funds; the revolving fund has, therefore, nothing to do with it. The DDA has been getting the plan grant for development of 21 square meter (sq. mt.) plots for relocating squatters initially at the rate

<sup>14</sup>National Council of Applied Economic Research, *Techno-Economic Survey of Delhi*, New Delhi, 1973, pp. 294-95.

<sup>15</sup>DDA, *op. cit.*



of Rs. 1,200 per plot which was revised to Rs. 1,860 in March, 1,980 and now to Rs. 2,700 on the basis of rise in price index. The DDA has now proposed and it has now been agreed to by the Government of India and the Planning Commission to develop 25,000 plots at the rate of Rs. 3,110 per plot.<sup>16</sup>

### *Land Values*

Ever since the initiation of the 1961 land policy, land values have continued to rise at a runaway rate of increase. According to an official report, land values in some localities were found to have gone up more than 10 times in 10 to 12 years. "Increase of the order of 400 to 500 per cent have also been noticed in most of the other localities in the span of 8 years".<sup>17</sup> The land values have increased at a much faster rate in South Delhi and in the freehold colonies,<sup>18</sup> where transactions in land are not encumbered by any official regulation. The DDA now charges Rs. 360 per sq. mt. for residential land in South Delhi and the price is nowhere less than Rs. 260 sq. mt. in other localities. By contrast, according to a news item in one of the local national daily newspapers, the price of urban land within 30 minutes' driving time in some major American cities is much less. The auction bid in Delhi for the DDA land is generally to the extent of Rs. 3,000 per sq. mt. with a record price of Rs. 3,600 per sq. mt.<sup>19</sup>

The rise in land values in Delhi at this rate is to a great extent due to the auctioning of land by the DDA in trickles. By doing so, the artificial scarcity of larger plots of land is created by the DDA which in turn fetches higher price in subsequent auctions. To quote again from an official report:

In actual practice, the Authority released small number of plots at intervals which were not announced long in advance. The analysis of 25 per cent of the plots released by the Authority in 410 auctions over the last ten years indicated that on an average 19 plots were released at a time... In certain localities it was found that in recent past about 7 to 8 plots on an average per auction were released, thus pushing up land prices in a short span very

<sup>16</sup>Centre for Urban Studies, IIPA, *Financing Urban Development in Delhi 2001 AD*, Part I; "Past Experiences and the issues", (Mimeographed), December, 1982, pp. 21-22.

<sup>17</sup>Government of India, Ministry of Works and Housing, *Report of Committee of Experts on the Working of Delhi Development Authority* (Mimeographed), 1978, p. 50.

<sup>18</sup>See, Sayed S. Shafi and S.S. Dutta, *op. cit.*

<sup>19</sup>*The Indian Express*, New Delhi, May 21, 1983, p. 1.

significantly.<sup>20</sup>

Another factor contributing to the rise in values was the tardy development of land by the DDA. It may be recalled that earlier the Chief Commissioner's Committee had suggested supply of 5,000 developed plots in the land market to sufficiently serve the demand for land. As the DDA has developed and disposed of 33,000 plots between 1961-82, the average plots per year comes to about 574 only. Inadequate supply of land thus led to a general rise in land values and coming in a big way of unauthorised settlements. It may be recalled that the DIT was earlier castigated by an official enquiry committee on the ground of freezing of private development and selling the land to the high income group. This had led to the winding up of the DIT!

### *Land Pricing*

The land policy envisaged allotment of land to the LIG and the MIG at 'predetermined rate'. The predetermined rate was not based on the cost of acquisition and development alone. Additional charge at the rate varying from Rs. 3 to 8 depending upon the size of the plots was to be added to it. This additional charge is obviously in the nature of return on capital and hence a profit.<sup>21</sup> Auctioning the land on the pretext of generating the funds to cross subsidise the lower income groups, therefore, cannot be justified. There are yet other additionalities included in the 'predetermined rate' being worked out by the DDA from time to time. For betterment charge at the rate of Re. 1 per square foot, zonal rate charge at the rate of Re. 0.50 per sq. yd. and a village redevelopment charge at the rate of Re. 0.50 per sq. yd. are also added into the predetermined rate.<sup>22</sup> Subsequently, many other additionalities were also included into it. To quote from the official report:

Even the computation of pre-determined rates applicable to allottees displayed arbitrariness, unauthorised charges from time to time and incoherence in *inter se* relationship between rates for low and middle income groups as well as between pre-determined rates and auction prices.<sup>23</sup>

It is thus evident that the large scale acquisition, development and

<sup>20</sup>Government of India, Ministry of Works and Housing, *Report of Committee of Experts on the Working of Delhi Development Authority*, op. cit., p. 50.

<sup>21</sup>This cannot be said to be the charge to meet establishment cost also as the expenditure on establishment is met separately from the Revolving Fund.

<sup>22</sup>Government of India, Ministry of Works and Housing, 1974-75, op. cit., p. 72.

<sup>23</sup>Government of India, Ministry of Works and Housing, 1978, op. cit., p. 51.

disposal of land in Delhi was not at all based on the concept of cross subsidy. The predetermined rate cannot be said to be a simple cost of acquisition and development. Elements of profit was already included in the predetermined rate itself. The policy thus basically had profit motive built into it.

### *Land Tenure*

With the advent of the urban land policy in 1961, the practice of sale of freehold plots of land was discontinued and, as the ownership of the entire land under this scheme vests in the name of the President of India, it is allotted or sold in auction as leasehold. Although, the sale of leasehold land is permitted only after 10 years of its being leased out by paying 50 per cent of the land value increments to the revolving fund, a large number of leasehold lands has in fact changed hands under the guise of general power of attorney. This camouflaged sale has been innovated especially to bypass the provision of paying part of the rise in land values to the revolving fund.

The foregoing analyses of different components of urban land policy thus indicate that the objectives of this policy could not be achieved even partially. Planning and social objectives gave way to a single objective of utilising the revolving fund for mobilising the financial resources. By 1980-81, the seed capital of Rs. 12.31 crores was revolved to Rs 205.40 crores indicating the resource mobilisation of Rs. 194.09 crores. Non-availability of data relating to utilisation of funds thus created does not permit any objective analysis of the revolving fund. However, as has been mentioned earlier, the funds thus created did not go to subsidise the lands allotted to the LIG; we have also seen that the shelter programme in the form of sites and services have been operating outside the revolving fund scheme of finance.

Revolving Fund, by its very nature, is hardly a suitable instrument for mobilisation of resources for financing urban development. The concept of revolving the seed capital entails investment in remunerative schemes which could fetch handsome return at the auction. It thus militates against the objective of serving the needs of the economically weaker sections (EWS) and the LIG. Complete absence of any element of cross subsidy in providing land to the LIG and the EWS and the extent of resource mobilisation by revolving the seed capital in Delhi amply speak of the utility of revolving fund technique for financing urban development in the Indian situation where the EWS and the LIG constitute about 55 to 60 per cent of the total urban population.

A few available evidences suggest that the funds generated have been utilised for other purposes, some of which are examples of

extreme financial irregularities and flagrant violation of financial discipline. The prestigious district centre project and a money earning machine, called the Nehru Place (South Delhi), which was supposed to be developed under the purview of the revolving fund was 'purchased' by the DDA at a nominal price of Rs. 25.35 lakhs and, the sale proceeds of the auctioned land in this commercial project was cornered by the DDA.<sup>24</sup> The DDA has been unauthorisedly utilising the proceeds which were to be credited to the revolving fund for its housing activities, which does not form part of the mandate given to it under the Master Plan, for construction of the Inter-state Bus Terminal and also for the maintenance and improvement of the relocation colonies.<sup>25</sup> Assessing the working of the DDA, an official report observes that the DDA owed to the revolving fund an amount of Rs. 11 crores in 1978 as short remittance to the revolving fund. According to this report, the DDA freely used "this fund on the housing and other activities without any governmental check either on the utilisation of this fund or on the wisdom of such investments".<sup>26</sup> Unauthorised use of the revolving fund apart, the DDA has also been unauthorisedly utilising the Central Government's land entrusted to it for management after the abolition of the DIT. It has utilised the government lands without paying for it and also the financial return on these lands for a number of construction projects.

The analysis of urban land policy in Delhi thus reveals distortions in it and in its operational details some of which have conspicuously marred the fulfilment of the objectives for which the urban land policy was designed in 1961 it was said to be a bold and progressive step, as for the first time in the history of urban development in this country the entire land within the urban limits was notified for nationalisation in order to promote planned urban growth and meet land requirements of the community at large. The analysis has revealed that this was considerably marred by the gains accruing, by and large, to the social and economic elites. Along with planned urban development, a parallel growth of unplanned settlements marked the implementation of the Master Plan which derived the policy support from the land policy. Land values, instead of being 'controlled' and 'stabilised', started increasing by leaps and bounds at a runaway rate of growth. The policy, like that of any private monopolist, was solely guided by profit motive. The seed capital was, therefore, revolved manifold. But the funds thus generated were misutilised in the form of extreme financial irregularities. The end result was thus creation of a situation

<sup>24</sup>Government of India, 1974-76, *op. cit.*, p. 145.

<sup>25</sup>Government of India, 1978, *op. cit.*, pp. 140-44.

<sup>26</sup>*Ibid.*

which the policy was designed to solve.

Delhi is soon going to have the second Perspective Plan for urban development through the year 2001 A.D. Policy statements relating to the new plan indicates that in the next two decades the plan is going to "cater to the urban poor and other groups with adequate infrastructure, housing and transport".<sup>27</sup> Therefore, the distortions characterising the urban land policy need to be eliminated by devising a new land policy. What could be the alternatives in this regard? A national public policy has to be devised by an exhaustive scrutiny of possible alternatives to achieve the same objectives. Such an exercise, however, could not precede the formulation of the urban land policy in the late fifties. Let us now briefly examine the possible alternatives, along with their advantages and disadvantages for refurbishing the land policy in Delhi.

#### URBAN LAND POLICY : THE ALTERNATIVES

##### *Private Development*

Land development by the private sector rather than by public authorities, comes as the first alternative. In fact, before the initiation of planned urban development in Delhi, development of land and its supply was, by and large, in the private sector. The Delhi Land and Finance Company (DLF) was the pioneering private agency engaged in the development of several residential colonies—Green Park, Greater Kailash, Punjabi Bagh, Model Town, etc. Even now the DLF is developing a new residential colony in the vicinity of the Qutab Minar in South Delhi.

Development of land by private colonising agencies is completely funded by the beneficiaries and to that extent it relieves the public exchequer of the demand for funds for at least the initial development. However, private sector, if given monopoly right for land development, may not have the initiative to cater for the shelter needs of the economically weaker sections and the LIG. DLF's operations in residential development provide enough evidence in this regard.

##### *Land Readjustment*

It is a system of land development wherein a public authority is able to supply developed land without drawing on the public funds. Finances necessary for acquisition and development of land is mobilised by mere manipulation of the title of land. In developing a new area, the development authority first manages to pool land from the owners without acquiring it. The quantum of land required to pro-

<sup>27</sup>Delhi Development Authority, "Policies for the Development Plan for Delhi 1981-2001," *Background Papers*, Perspective Planning Wing, 1981, p. 2.

vide streets, parks, schools, and other community facilities are worked out and the same is taken away from the private land owners. But as the development of land entails development cost, the development authority subsequently works out percentage of the total land area which, if sold at the market value, would cover the entire development cost of land. Thus the land utilised for providing streets, parks, etc., and the proportion of the developed land to be sold to recover the development cost is deducted from the private land owners and the remaining developed land is then transferred back to them who have the freedom to sell it at the market price.

It is worth noting that in the process of land development, the public agency does not pay anything either for the acquisition of land or for developing it. The owners of land, though may have to part with a portion of their land, developed land returned to them more than compensates for the loss in land area. Unlike the large scale acquisition and development of land by the public authority where the land owners have to bear the brunt of acquisition in the form of meagre financial compensation, land readjustment bestows pecuniary gain to the land owners and also makes them participate in the development effort. This system of land development has been increasingly used in Japan and South Korea.<sup>28</sup>

However, Land Readjustment is unlikely to help achieve the objectives of controlling the land value hikes and subserving the needs of the EWS and the LIG as the land sold by the land owners at market value would militate against these two objectives.

### *Financial Land Banking*

It envisages setting up of a land banking agency preferably at the state level which, like Delhi, would acquire land for preventing speculation and also for controlling the land value hikes by releasing sufficient quantities of land at a time when land prices escalate. In addition, it also undertakes financial activities by floating debentures for financing the development of land.<sup>29</sup> However, the concept of land banking is akin to open market operations in urban land, where land development is undertaken by the private developer. The land banking agency only attempts to stabilise land prices through open market operations by buying land when prices are depressed and selling it when prices shoot up. The total land requirement for such

<sup>28</sup>William A. Doebele, "Land Readjustment as an Alternative to Taxation for the Recovery of Betterment: The Case of South Korea" in Roy W. Bahl (ed.), *The Taxation of Urban Land in Less Developing Countries*, University of Wisconsin Press, Madison, 1976, pp. 163-89.

<sup>29</sup>Rakesh Mohan, "Urban Land Policy: Some New Approaches", *Nagarloak*, Vol. XIV, No. 1 (January-March) 1982, pp. 1-11.

operations of the land banking agency need not be very high—say, 20 per cent of total urban land in a city. Such land banking has been successfully operated in Sweden and Holland. The agency thus helps in busting monopolisation of urban land.

#### *Announced Standard Price System*

It is yet another method to prevent exploitation of land owners by announcing the standard acquisition price much in advance. The price can also be adjusted for inflation and “other ‘real’ price rise that are observed to occur around the notified areas”.<sup>30</sup> Besides providing benefits to the land owners by paying them standard price for the land acquired, it also helps in controlling the intense speculation of land on the peripheries. However, it is unlikely to serve the shelter needs by making available sufficient quantity of developed land at reasonable price.

#### *Capitalisation of Development Cost*

Under this system of land development, auctioning of land is made on the basis of predetermined rate. But this predetermined rate is based on capitalisation of not only development cost, but also the community facilities, like, schools, health centres and dispensaries, police posts in a colony. These community facilities are provided by the development authority by constructing the buildings and handing these over to the concerned government departments for using the created assets free of cost. The cost of providing for these are capitalised by imputing these costs in the ‘pre-determined rate’.

The New Okhla Industrial Development Authority (NOIDA) and the Haryana Urban Development Authority (HUDA) have been practising this method of land development on the doorsteps of Delhi. Such a pricing policy, it is argued, leads to an integrated provision of services and amenities in the colonies. However, the experience suggests that the mere construction of school buildings or the health centres does not ensure the flow of funds on part of the concerned departments for meeting the recurring revenue expenditure necessary to utilise the capital assets. Secondly, the predetermined rate itself becomes too prohibitive for the LIG and the MIG to afford it; NOIDA, for example, is presently leasing the land at the rate of Rs. 540 per sq. mt. The market rate presently is less than this.

#### AN EVALUATION OF THE ALTERNATIVES

It is evident from the alternatives discussed above that there does not exist any single method of land development which could

<sup>30</sup>Rakesh Mohan, “Urban Land Policy : Some New Approaches”, *op. cit.*

simultaneously fulfil the three important objectives of urban land policy, *viz.*, (a) serving the shelter needs of the EWS and the LIG, (b) controlling the rise in land values, and (c) utilising land as the resource to generate sufficient funds for urban development. This is so because of the inherent contradictions in the above-mentioned objectives. Generating funds by selling the land at high premium to the HIG will militate against the objective of providing shelter to the urban poor, as has happened in Delhi, and if the land has to be provided for the shelter and housing needs of the urban poor and the LIG, the seed capital will not be revolved.

Urban poor, including the EWS and the LIG, constitute the largest proportion of Delhi's population, and for that matter in any Indian city and town. As such in the Indian context, the land policy has essentially to be based on providing subsidy to the EWS and, if possible, even to the LIG. Charging higher price for land from the affluents for subsidising the shelter programme, therefore, does not seem to be relevant in such a situation. Even if the proportion of land to be sold in auction is limited to the proportion of HIG in the total population of Delhi (15 per cent), the return from this would not permit the seed capital to be revolved for providing subsidy to the urban poor. Moreover, the auction price has a tendency to become the national price for all land in the locality and hence a general rise in land values. In order to depress the rising land value, it is often suggested to auction a large number of plots in one go. This again has limited scope as this would mean allocating larger proportion of land for auction to the HIG.

The realities of the situation and implications of the various alternatives suggest that urban land policy has to be liberated from its present dogmatic disposition by: (a) accepting the rise in land values over the years as a natural economic phenomenon, (b) accepting the concept of subsidy for the EWS and the LIG, and (c) accepting the limitations as well as weaknesses of using land as the resource by utilising the revolving fund technique. But this is not to suggest that in the name of natural and temporal rise in land values, the price rise should be at a run-away rate of increase as has been seen in Delhi. The extent of rise in land values in Delhi suggests that development of land by the private sector might have given a better result because of a competitive land market.

However, the social objectives of providing shelter to the EWS and the LIG, would inevitably require public agencies to undertake land acquisition, its development and disposal to the EWS at a huge subsidy. Presently, sites and services programme is being financed on the basis of cent per cent subsidy in the form of Five Year Plan grants. Allotment of land to the LIG and the MIG shall have



to be based on discriminatory price policy—a lower price for the LIG, higher for the MIG and still higher for the HIG. In such a framework of land policy, there would not be any need to auction the land.

### CONCLUSION

To sum up, the urban land policy in Delhi has several pitfalls. The implementation policy processes, therefore, also inherited the deficiencies inherent in the 1961 policy statement and resulted in distorted developments in urban Delhi. With this experience of the Delhi situation, its replicability by other cities and towns which seemed to be lured by the 'Delhi model', does not seem to be a sound proposition.

As the second Perspective Plan for Delhi is presently in the making, serious thinking should be given to eliminate the deficiencies and pitfalls which have so far characterised the urban land policy in Delhi. Based on the experiences derived from implementation of Delhi's present land policy, a new refurbished land policy has to be devised so that the new plan will have a better prospect for its smooth implementation and for the effectuation of its declared objectives. □

# The National Capital Region Plan: A Policy Analysis

ABHIJIT DATTA

THE MASTER Plan for Delhi (1961-81) "envisaged the development of Delhi in its regional context; it envisaged the growth potential of Delhi in its inter-relationship with the adjoining areas identifying affiliations and linkages of the central city with its umland; it conceived the development of Delhi in the context of its environs the metropolitan area and the National Capital Region".<sup>1</sup> Even before the formal approval of the Master Plan for Delhi (1962), the central government set up a 'High Power Board' in 1961 to coordinate the development of the national capital region (NCR) within the framework of a comprehensive regional plan. A draft NCR plan was prepared by the Central Town and Country Planning Organisation (TCPO), in collaboration with the town planning departments of the concerned states, after carrying out detailed studies and analyses of available census data. The resultant NCR plan was finally approved by the board in 1973. The area and population of the NCR plan covering the union territory of Delhi and parts of three adjoining states of Haryana, UP and Rajasthan are shown in Table 1.

TABLE 1 NCR PLAN : AREA AND POPULATION

UT/States	Area		Population, 1971 & 1981			
	(000 Km <sup>2</sup> )	Percentage of total UT/States	1971		1981	
			(Million)	Percentage of total UT/States	Million	Percentage of total UT/States
	(%)		(%)		(%)	
Delhi	1.48 (5)	100	4.06 (25)	100	6.22 (24)	100
Haryana	13.42 (44)	30	5.47 (33)	54	3.55 (14)	27
UP	10.84 (36)	4	5.45 (33)	6	6.97 (26)	6
Rajasthan	4.44 (15)	1	1.39 (9)	5	9.53 (36)	28
TOTAL	30.18(100)		16.37(100)		26.27(100)	

SOURCE : TCPO

<sup>1</sup>India, Town and Country Planning Organisation, 'Review of the Master Plan for Delhi', New Delhi, 1973, (Mimeo.), p. 3.

The plan covers the union territory of Delhi, three full districts (Rohtak, Sonapat and Gurgaon) and two part districts (Karnal and Mahendragarh) in Haryana, two full districts (Meerut and Bulandshahar) in UP, and one part district (Alwar) in Rajasthan. The extent of the NCR covers an average radius of about 100 kilometres from the core of Delhi and the actual delineation of the area was based on a number of criteria, such as, demographic characteristics, daily interaction between Delhi and its surroundings, and a desired level of urban infrastructure. The 'strategic objective' of the NCR was "to deflect part of the population which would otherwise come to Delhi in search of employment, thus restraining the size of Urban Delhi within manageable limits".<sup>2</sup> This was to be achieved through proper development of 18 ring towns within the NCR and other counter-magnet cities around 400 kilometres of Delhi. The 18 ring towns were chosen for priority development; however, at a later stage a number of strategically placed cities within the larger influence area of Delhi were to act to neutralise the influence of the mother city.<sup>3</sup> Recent thinking is to extend the boundary of the NCR to cover this larger influence area as well.<sup>4</sup>

We shall attempt in this paper to analyse the policy framework of the NCR plan covering its: (a) goals and objectives, (b) institutional framework, (c) data base, (d) plan implementation, and (e) monitoring and feedback. A concluding section highlights the deficiencies in policy design and raises critical questions of public policy for development.

## THE POLICY FRAMEWORK

### *Goals and Objectives*

We have already indicated the 'strategic' objective (goal) of the (NCR) plan. Its operational objectives were three, viz.,

- (1) to prohibit Delhi's growth in its own interest; (2) to bring about dispersing benefits and create the mechanics of such dispersal beyond the Delhi metropolitan area on a regional basis; and (3) to have Delhi as a metropolitan city with 6 million people ultimately and to meet its minimum (daily) needs...from the resources of the region around Delhi.<sup>5</sup>

<sup>2</sup>Sayed S. Shafi, *The National Capital Region: Problems and Prospects* 1981 (Mimeo), p. 4.

<sup>3</sup>*Ibid.*, p. 5.

<sup>4</sup>*Hindustan Times*, New Delhi, December 8, 1981

<sup>5</sup>C.S. Chandrasekhara's talk in: Punjab, Haryana and Delhi Chamber of Commerce and Industry, *National Capital Region: Prospects and Problems*, New Delhi, 1976, pp. 20-21.

Stated differently, these operational objectives involve: (a) economic development of the ring towns and other urban centres within the NCR, (b) strengthening of the physical infrastructure of the ring towns surrounding Delhi, (c) working out a scheme of fiscal incentives and disincentives coupled with physical controls over land-use, (d) direct public investment programmes to realise objectives (a) and (b) above, and (e) work out a time frame to match the operational targets, persuasive-cum-control efforts, and investment allocations. All that the NCR plan attempted to do was to suggest allocation of national resources for public investments in two phases: Rs. 101 crores for Phase I (1971-74) and Rs. 99 crores for Phase II (1974-79). These investments were not related to any strategic target fixation for deflection of Delhi's population in the NCR region.

Two questions arise out of this kind of approach: (a) the relative interests of Delhi and other involved states in this type of planning, and (b) the relevance of an essentially physical orientation to the NCR plan to subserve economic development objectives. We shall examine these questions under: Institutional Framework and Data Base for the NCR.

### *Institutional Framework*

The concern for evolving an appropriate framework for urban planning and development beyond the union territory area really precedes the NCR plan itself and was voiced even for planning Delhi's metropolitan area, as delineated in the Master Plan for Delhi. This explains why the so-called high power board for the NCR was constituted as early as 1961, more than a decade before the NCR plan was finalised.

From Table 1, it is obvious that both in terms of area and population in the NCR area, Delhi's share is the least among the involved union territory/states' jurisdiction; on the other hand, Delhi's share in the total union territory/states' area and population happens to be complete.

The High Power Board, set-up in 1961, was created with the Union Home Minister as its chairman, to advise the central and concerned state governments in matters relating to the development of satellite towns (later, ring towns) envisaged in the NCR. It met sporadically in 1965 and 1967 and ultimately, passed a resolution to set up a statutory board. This resolution could not be acted upon as the Haryana Government did not agree to change the advisory nature of the board. The board was reconstituted several times, the last year of its reconstitution was in 1974 with the Union Minister for Works and Housing as its chairman; the three Chief Ministers of Haryana, UP and Rajasthan, seven Ministers of State in the Union Govern-

ment, three representing Delhi (Lt. Governor, Chief Executive Councillor and the Mayor) as members, and the Joint Secretary of the Union Works and Housing Ministry as the member-secretary. Thus, out of 15 members, only three represent the major interests (the states) in the NCR. It is envisaged that there would be a three-tier institutional structure for the preparation and implementation of the NCR Plan 2001, *viz.*, (i) the High Power Board, having the Union Minister for Works and Housing as the chairman, with the Chief Ministers of the participating states as members, to function as an apex body, (ii) an implementation committee with the Union Secretary for Works and Housing as the chairman, and the Chief Secretaries of the participating states as members, and (iii) the Chief Planner, TCPO as the chairman, with the Chief Town Planners of the participating states as members.

It is obvious that so far attempts at devising an institutional framework for the NCR has proceeded on the assumption that it is a central government responsibility, while the very nature of NCR planning touches subjects that essentially belong to the states. If the NCR has to succeed in persuading the affected states where positive action would lie, the organisational set-up must follow an inter-state agreement, rather than precede it. As of today, there is no such agreement in the form of a 'treaty' and, therefore, the NCR organisation exists only on paper. Such a treaty, when it materialises, would also define the limits to the goals and objectives of the NCR Plan, apart from the details of its organisational design.

#### *Data Base*

The data base for the NCR plan is particularly weak. What is not known, for instance, is the degree of deceleration of Delhi's population to be affected as a result of the corresponding acceleration of population in the NCR and the public policy capabilities to bring this about through various action proposals. For instance :

- ✓ It is observed that the hinterland of Delhi is already growing at very high rates in terms of urban population so that a further acceleration in population growth rates may well be infeasible. In fact, if it is desired to reduce the rate of growth of Delhi from 4.6 per cent a year to 3.6 per cent, then the rate of growth of population of surrounding towns would have to be increased, from 5.8 per cent per year to about 8.5 per cent; clearly a tall order. What is more relevant, perhaps, is that greater public infrastructure investment should be made in these areas to provide for the high growth that has already taken place. But there should be little illusion that that would have any palpable effect on

the growth of the metropolitan city itself.<sup>6</sup>

The investment targets in the NCR plan are based on engineering estimates of various sectoral schemes to bring about a desired settlement pattern; what is missing is a demonstration of pay-off of such investments in terms of the deceleration of Delhi's population. It is imperative to match the action proposals with the objectives of the NCR Plan to judge whether it is at all practicable to bring about the desired change within a realistic time horizon. From the point of view of relevant data, one should know the costs of levels of urbanisation of various types of settlements ranging from purely rural areas to major cities in the NCR with different technologies and with known patterns of economic linkages. Mere projections of census data do not yield the optimal investment pattern, which is based on *ad hoc* judgment of needs rather than considerations of economic efficiency. The weaknesses of data base for the NCR plan are, therefore, traceable to its town planning orientation and an improvement in this direction would be imperative if urban development is viewed as an investment appraisal problem and not as a purely settlement problem.

#### *Plan Implementation*

Out of the proposed outlay of about Rs. 200 crores (at 1970-71 prices) for the NCR, Rs. 101 crores for the first phase and Rs. 99 crores for the second phase, only about Rs. 22 crores were invested in the NCR up to 1981-82, of which the central government share was only Rs. 8.14 crores. During the Fifth Five Year Plan, the central government released about Rs. 7.14 crores for five ring towns in the NCR under the integrated urban development scheme. A seed capital of Rs. 20 crores initially earmarked for the NCR did not materialise. During 1977-78, the central government had second thoughts about the efficacy of the NCR plan and its strategy and only continuing schemes were being financed. The participating states also did not inform the centre about the progress of development schemes financed from their own sources. With the change of government at the centre since 1980, the apathy of the central government has abated, but the flow of funds has not as yet been commensurate with the scale envisaged in the NCR plan. A central sector scheme for the NCR has been included in the sixth Five Year Plan, although its implementation experience is known to be tardy. So far, financing of the NCR plan has concentrated only on land acquisition and

<sup>6</sup>Rakesh Mohan and Chandrashekhar Pant, "Morphology of Urbanisation in India : Some Results from 1981 Census", *Economic and Political Weekly*, September 18 and 25, 1982.

development. Therefore, the conclusion one is tempted to draw from the implementation of the NCR plan is that, so far it has been a non-starter.

### *Monitoring and Feedback*

The TCPO has been the sole public agency responsible for monitoring and feedback of the NCR plan implementation. However, its effective liaison with the major central and state agencies concerned with physical infrastructure, power, transport, communication, industry, etc., seem to be somewhat uncertain. It is curious to note that the public agencies involved in executing and financing Delhi's spatial development—the Delhi Development Authority (DDA) and the Housing and Urban Development Corporation (HUDCO)—did not participate in the NCR plan either financially or operationally. We have already noted the tardy information flow from the concerned states about their investments in the NCR ring towns. Part of this difficulty may have been due to the weak status of the town planning organisations at the centre and the states within the governmental system, but the main reason is undoubtedly the lack of an effective central organisation responsible for funding or executing the NCR plan. So far, the blame for failure of the NCR plan has been ascribed only to the absence of a 'statutory' (meaning, executing) organisation; but one could easily point out that an independent funding authority could also function as an effective monitoring organisation. Such a funding cum-executing body could be either DDA or HUDCO.

As regards the feedback, it is clear by now that the NCR plan needs revision of its goals and objectives in the light of funding constraints, organisational weakness and misplaced planning emphasis. Since late 1981, the TCPO was reportedly engaged in the task of recasting the NCR plan<sup>7</sup>.

### CONCLUSION

From the foregoing analysis, one can easily see that the deficiencies of the NCR plan are as much imbedded in its very concept, as in the instruments designed for its implementation. It is somewhat foolhardy to presume that once a statutory organisation comes into being to take charge of the NCR plan, everything would turn out in the desired direction. This is unlikely to be the case, as the deficiencies of the NCR plan emanate from an imperfect understanding of the process of development itself and the limited role that public agencies

<sup>7</sup>See, Keynote Address of the Union Minister for Works and Housing at the seminar on "Policies for Delhi (1981-2001) in its Regional Context", at Vigyan Bhavan, New Delhi, September 5, 1981.

with meagre funding can achieve in this direction. In order to reformulate the goals and objectives of the NCR plan one could thus raise the following questions :

- (a) is it feasible within a reasonable time frame and a realistic budget ?
- (b) who are the gainers and losers through its implementation?  
and
- (c) what are its implications for the federal polity?

The first question is essentially managerial, the second question raises basic economic issues of development and the third question examines the political constraints within which governmental decision-making has to be made. □



## *Evolution and Implementation of the IUDP Scheme: A Policy Review*

KALYAN BISWAS

IN THE arena of urban development in the country, the "Scheme for Integrated Urban Development Programme (IUDP) for Metropolitan Cities, Towns with population of 3 lakhs and above, and Areas of National Importance" was the third central sector scheme, the preceding two being the Slum Clearance and Improvement Scheme (1956) and Assistance for Setting up Urban and Regional Planning Agencies in the States (1961-1966). The IUDP was a new central sector scheme during the Fifth Five-Year Plan (1974-1979) and provided financial assistance to the state government/union territories to supplement their efforts for implementation of urban development projects. The *Guidelines* for the scheme were issued in December, 1974.

The *Guidelines* covered : (a) all metropolitan and million-plus cities, (b) all towns with a population of 3 lakhs and above, (c) towns with growth potential, (d) all capital towns of the states irrespective of their sizes, and (e) other medium and small cities and areas of national importance. The basic principles involved in the selection of the cities were that integrated development of metropolitan cities and the areas surrounding it and other medium-sized and satellite towns would be undertaken so as to evolve a more balanced pattern of settlements. The nature of central assistance was in the form of a soft loan carrying a net interest of 5½ per cent per annum and a repayment period of 25 years with a moratorium of 5 years for repayment of principal. The detailed conditions of assistance, pattern of financing and other features of the scheme are given in Appendix I. The *Guidelines* of the scheme also contained in an Annexure, the Recommended Urban Land and Housing Policy emphasising large scale acquisition of urbanisable land, disposal of land on certain terms and conditions, maintenance and provision of facilities on such land, etc.

This IUDP scheme was in the central sector from 1974-75 to 1978-79 after which : (a) a major part of it was transferred to the

state sector, and (b) a new IUDP for the Development of Small and Medium Towns was started as another central sector scheme from 1979-80 which is still in progress during the Sixth Plan, i. e., 1980-85. Our concern in this paper is a policy review of the first IUDP.

During its five years of existence, the IUDP scheme covered 31 cities and towns in 11 states with a total central government outlay of more than Rs. 136 crores. Details are given in Appendix II.

#### GENESIS OF THE IUDP

At this point of time it is not easy to identify specific inspirations behind the IUDP. All that one can do is to depend on contemporary evidence, written and overt, to find some bases as to why and how IUDP came into being, in content and scope, as it eventually did in 1974. Inevitably, some speculation will have to be made in this respect and it is hoped that these will not be too far-fetched.

It will not be far from truth to say that the original inspiration of IUDP came from four different and somewhat disparate sources. The first was a growing feeling at the national and other levels that urban growth was rapid in the country, especially the growth of the big cities, which was undesirable and, therefore, had to be contained. This belief and understanding still persists, and a typical statement expressing this view would run like this: "to suggest medium-term urban development strategies and programmes with the object of decelerating and reversing the trends in the rapid growth of metropolitan and large cities that would foster and supplement rural growth and subserve the rural hinterland"<sup>1</sup>. In other words, it has now become almost a received wisdom that: "(i) large cities have grown faster than and at the expense of small and medium towns, (ii) that is undesirable, and (iii) measure should be taken to retard large city growth and that this can be done by placing greater investment in small and medium towns."<sup>2</sup> A corroboration of this approach is available from the following statement quoted from an official document:<sup>3</sup>

- (a) large size cities, especially those with more than one million population, should not be allowed to expand any further. As far as possible, new industries and other economic activities

<sup>1</sup>Terms of Reference of the *Working Group on Housing and Urban Development 1980-85*, set up by the Planning Commission, Government of India, New Delhi, July, 1980.

<sup>2</sup>Government of India, Ministry of Works and Housing, "Towards A New Approach to Housing and Urban Development", by Rakesh Mohan, in *Report of the Study Group on the Strategy of Urban Development*, New Delhi, 1983.

<sup>3</sup>Government of India, Department of Science and Technology, *Country Report: India, Habitat-76, The United Nations Conference on Human Settlements*, 1976.

- which accentuate growth should be located away from these centres;
- (b) new urban centres in the proximity of the metropolitan cities should be developed as countermagnets for migrant population. In order to promote growth in these alternate centres, industrial and other activities are to be channelised by providing initial investments and incentives in the form of land at concessional rates, power, water and other facilities;
  - (c) new urban nuclei should be planned in resource-rich areas to generate growth in those areas. For this purpose the large industrial towns that have been established during the last two decades are being utilised;
  - (d) the medium-sized towns in the population range of 50,000 to 300,000 are to be provided with adequate services and amenities, housing and properly laid-out industrial estates so that they could attract new growth; and
  - (e) the location of these growth centres are to be chosen within the scope of the integrated regional or area development plans.

Another possible inspiration of IUDP came from the intention to help the most distressed urban areas, that is, mainly the slums. Not that the *Guidelines* for IUDP mandated unequivocally that the scheme be 'targeted' that is, directed towards the most distressed cities or urban areas or slums. But India's concern with slum clearance and improvement has had its origin in the mid-fifties and initially, it was mainly a policy of clearance of slums and an effort to move the inhabitants to new locations. That programme was seen merely as conventional new housing and re-housing programmes *per se*, without any element of urban renewal, economic regeneration and low-cost/low-income housing—the trappings one has come to associate with such a programme now. There was a conscious realisation that the growth of infrastructure in urban areas has lagged heavily behind population increases, and, therefore, the consequential increase in demand for services, resulting in a deterioration of the environment and the spread of slums and squatter settlements, particularly in the large cities that demanded certain overt action.<sup>4</sup> In this background the central scheme for Slum Clearance and Housing was born in 1956 along with a central legislation as back-up support.<sup>5</sup>

Urban land policy, which was issued as an Annexure to the *Guidelines* of IUDP, was almost a *verbatim* repetition of the basic features of the Large Scale Land Acquisition, Development and Disposal Policy

<sup>4</sup>Government of India, *Status Paper on Human Settlements*, New Delhi, (Second Session of the United Nations Commission on Human Settlements), Nairobi, 1979.

<sup>5</sup>Government of India, *Slum Areas (Improvement and Clearance) Act, 1956*, New Delhi, 1956.

Statement of 1961 for Delhi. Perhaps in a way, this was unavoidable, since in the early 1970s, the only successful and visible model for urban planners and administrators was the DDA in Delhi, and in sheer naivete, it was also thought to be a replicable model for other cities and towns in India. As a result, IUDP bore the stamp of Delhi development so much and so well that even the actual performance of the project cities in the IUDP were sometimes examined in the light of DDA's achievements. That hangover is still not generally absent from the urban scene in India, but fortunately it is not dominant. If one goes through the IUDP *Guidelines* carefully, one would inevitably notice the familiar ideas, like, self-generating and self-financing urban development, creation of a special urban development agency, leasehold land disposal, etc., which had their origin in the Delhi model. Thus, the experience and achievements of DDA hang very determinedly over the policy-makers' horizon in formulating the strategy and content of IUDP.

The fourth identifiable source of inspiration of IUDP was no doubt the Accelerated Calcutta Development Programme (CMD Programme) started in 1970-71. In a previous article in *Nagarlok*,<sup>6</sup> this aspect has been referred to in details. It was a programme where the Government of India and the Government of West Bengal (and later on, the World Bank and other foreign governments) came together for the first time in the country to assume joint funding for an urban development project, including purely municipal services. IUDP came four years later than the CMD programme and the central government funding of the CMD programme was thereafter done through IUDP funds. It is quite possible that but for central involvement in Calcutta, the IUDP would not have materialised in the way and at the time it did. Once there was a major intervention like this in one metropolis, it was difficult and also irrational to resist demands from other cities, to have similar central assistance, and the best way to have organised it within a common and acceptable framework was to have a central sector scheme like IUDP.

#### SELECTION PROCESS IN THE IUDP

The *Guidelines* stipulated that the state government should have an 'integrated' Plan for the development of a city based on a long term Master Plan and that specific project within the Master Plan would be taken up for financing. What, however, was not made clear was what kind of a city development plan one was looking for. The words 'comprehensive' and 'integrated' were often used in this connection

<sup>6</sup>Kalyan Biswas, "Financing Urban Development in Calcutta: A Case of Centre-State Fiscal Relations", *Nagarlok*, Vol. XIV, No. 4, October-December, 1982 (Special Issue on Urban Federalism).

but their connotations were not the same for different people. Unfortunately, these were never spelt out clearly. For complex urban areas, 'comprehensiveness' may be a desirable but an elusive goal; so is 'integration'.

A striking omission in the *Guidelines* was a clearcut expression of the objectives of the programme. "To evolve a healthier pattern of human settlement," as the introduction to the *Guidelines* mentioned, could not possibly have been a programme objective; it was more a long term goal which the nation could set for itself not only through urban development but also through various other programmes. What exactly was sought to be achieved through IUDP is a question which can evoke a number of answers: better cities? if so, in what way? help to low-income household? economic regeneration of the cities? This inherent infirmity of the IUDP, so far as its policy objectives were concerned, was reflected in the wide scope of project and the spread of coverage that it contained. For instance, the project attempted to finance all kinds of developmental work, like water supply and drainage, road systems, land acquisition and development, housing, slum improvement, and other social and community facilities so long as these could be shown as part of a 'comprehensive' and 'integrated' urban development plan. In other words, the IUDP did not set down any priorities as such and left this work to the state governments to decide. Given the state government's own views in the matter, which differed widely and that too expectedly, there was little that could be 'set right' by the ministry in the course of project approval.

At the same time, IUDP did not and could not, as its spread was defined, distinguish *a priori* one city from another if both fell above the magic 3 lakhs figure. For one thing, there was no benchmark for the areas of national importance. Was Haldia, for instance, of higher priority than Paradip? Did Salem deserve prior attention than New Bombay? Nobody had any objective criteria to answer these questions. Secondly, the actual selection of cities and towns for programme support was based on the proposals received from the state governments at their own initiatives. These lay open the selection process to two pitfalls: possible areas of national/regional importance could have been and were in fact ignored for central financing through IUDP; and, in the absence of a rigorous selection process in a framework of settlement hierarchy, including their functional characteristics and economic role which might have indicated their *inter se* priorities and importance for central funding, many lesser towns kept out the more important ones.

A failure to formulate and adhere to a selection process at the very beginning of the IUDP resulted in taking up some urban areas which

perhaps could have been avoided altogether. Such rigorous selection would in turn perhaps have generated and also required some ideas and conclusions about the urbanisation pattern itself, if not in the country, at least at regional and sub-regional levels. Out of the first 20 big cities in the country as many as 17 got included in IUDP. The point here is not exactly how many big cities were included; the more important point is how many of the more important (judged, as we have said, on their functional, economic and regional/sub-regional importance) medium and small towns got left out.

#### PROGRAMMING PROCESS IN THE IUDP

No project was to be funded under IUDP unless there was a firm commitment of the state government resources to the proposed project. A wider interpretation of "state government resources" was given to include not only the state government's departmental budgetary resources, but also such resources as the implementing agencies and/or local authorities could bring into make-one identifiable and substantial kitty. Moreover, this kitty was to be made available at the requisite level throughout the project period. By this provision the central government sought to shape the IUDP as an instrument for achieving certain results by securing the cooperation and active participation of the state government. To obtain an IUDP loan, the state government had to put together a package of schemes and actions according to the *Guidelines* issued. This package, to be implemented in phases, was the crucial component of IUDP application, and undertaking the process of putting together the package was the key to understanding how the IUDP worked.

IUDP's *Guidelines* stipulated that a loan would be made available only where it would pin down an investment by the state government that otherwise might not have been undertaken in that particular city or town. There was a possible argument that a significant portion of the state investment that was stimulated by the IUDP loans would in any case have been made even without IUDP; nonetheless, it is also true that in many cases the proposed city programme could not have been taken up but for the IUDP. It is this feature which characterised investment pattern under IUDP and made it of a special brand. It also implied that government would have made their own internal exercises regarding priority fixation and resource identification for their own counterpart assistance. Project readiness was also considered to be an important criterion, and all in all the IUDP process intended, through such mechanisms, to bring about a certain amount of policy making and programming approaches in the urban development programme.

There was another vital ingredient in the IUDP process. Having taken a very substantial responsibility for funding the programme, the Government of India had necessarily to follow up its progress before each instalment of financial assistance was released. Special teams used to be sent out to the project sites and to the state capitals for physical inspection and discussion with the state government officials to review the progress made and identify gaps in planning and programme administration. These ensured a certain degree of grip over the project and also certain amount of accountability for non-performance, delay or slippage. This certainly kept the implementing agencies and the development authorities in check and under scrutiny.

Such periodic reviews, at least twice a year, produced a good level of data generation and report making which enabled proper articulation, adequate comprehension, systematic analysis, selective intervention and judgements on comparative performance of all the assisted projects, as nothing else would have been possibly done in the circumstances. The important point arising here is that these periodic reviews were resorted to without waiting for and depending solely on the Annual Plan Working Group meetings. The other advantage of it was that such reviews usually (though not always) led to an easier release of funds as programme support, and it is particularly this point which was highly appreciated.<sup>7</sup>

We had earlier described the four identifiable sources of inspiration as disparate. It is easy to see why these were so. None of these, either singly or collectively, grew out of any common denominator. These were basically programmatic in approach and content—one could even say, intermittent and *ad-hocism* in nature. IUDP was no different. Consider, in this context, the comments made by an international expert on India's urban development policy:

The ways in which the Indian approach to urban reform differs from that of other federations has already been mentioned—her planning apparatus, especially at the national level. Instinctively, as it were, the first step in dealing with a newly identified problem is to establish a national planning scheme or agency for it. This reaction is echoed more or less uniformly at the state level. But at the city level there is little or no planning even among the metros. The result of this tendency to concentrate planning at the higher levels of government, and to neglect it at the level where it is most relevant, is to cause both the centre and the states to distrust city managements and to entrust improvement works to special boards or agencies instead. The result of this policy is

<sup>7</sup>Kalyan Biswas, "Financing Urban Development in Calcutta: A Case of Centre-State Fiscal Relations", *op. cit.*

that planning and improvement at the city level tends to be fragmented. It is nobody's business to see it as a whole.<sup>8</sup>

On the latter part of the above observation we will have more to say later.

Furthermore, the inspirations and the avowed aspirations of the IUDP were a mismatch. A metropolitan city may have its own emphasis on slum improvement; a growing town of five lakhs may have a major water supply problem, or problems of peri-urbanisation and extended municipalisation. Similarly, a seven lakh town may have improvement of its road system as its primary concern, whereas a new area of national importance may have the construction of the central business district (CBD) as its priority. Then again, in what slot can one fix a three lakh town: as a growth centre to absorb increased economic activity or as a satellite for a nearby large town? The comprehensive and blanket approach of IUDP swept away these distinctions and left such questions unanswered. It might, therefore, appear that the IUDP intended to do far too much at the horizontal level, without concentrating on or scaling up and down the specific requirement of each city thereby achieving certain flexibility and open-endedness. Since the inspiration of IUDP came from different approaches, its *Guidelines* did not mandate unequivocally that the IUDP money be targeted. How could, for instance, a ten lakh city be put on the same footing as a three lakhs town and a growing area of national importance, all as eligible for assistance when the basic requirements were so widely different amongst them? This so called equality of treatment blunted the edge of the programme.

#### COVERAGE OF PROJECTS IN THE IUDP

In Appendix II, a Table has been included showing the distribution of IUDP funds amongst different cities and projects therein. The questions which need be raised in this context are as follows :

- (i) did IUDP favour those states which could more readily bring in their matching contributions compared to those who could not do so?
- (ii) did IUDP favour those states which could bring up more projects because of their greater availability of institutional expertises than those who did not have this facility?
- (iii) did IUDP emphasise physical rather than the economic aspect of the city development?
- (iv) did IUDP encourage creation of special agencies, like, Urban

<sup>8</sup>Ursula K. Hicks, *The Large City: A World Problem*, Macmillan, London, 1974, p. 197.



Development Authorities, rather than strengthening the local bodies to deal with problems of urban growth?

As already stated and shown, IUDP loan assistance was given to 31 cities/towns, including the metropolitan cities of Calcutta, Bombay and Madras. Additional plan assistance was given to the state governments under a prescribed formula where urban development or water supply schemes were taken up with World Bank assistance. In the cases of Bombay, Calcutta, Madras and the KAVAL towns of UP, IUDP loans were given for some of the components instead of plan assistance. The scheme taken up under the Six Point Formula in Hyderabad-Secunderabad was also funded under the IUDP. In view of the substantial expenditure under the World Bank assistance schemes, nearly three-fourth of the assistance under the IUDP went to Calcutta, Bombay and Madras.<sup>9</sup>

Yet, as already mentioned, there was no need for such blanket coverage from metropolitan cities to 3 lakh towns. The entire range of class I cities above 3 lakhs population could have been distinctly categorised to make policies and programmes relevant to each category. The draft Fifth Five Year Plan (1974-79) had the following objectives for urbanisation and urban development:<sup>10</sup>

- (a) to augment civic services in urban centres as far as possible and to make them fit for a reasonable level of living;
- (b) to make efforts to tackle the problems of metropolitan cities on a more comprehensive and regional basis;
- (c) to promote the development of smaller towns and new urban-centres to ease the pressure of increasing urbanisation;
- (d) to assist in the implementation of projects of national importance such as those related to metropolitan cities or inter-state projects; and
- (e) to provide necessary support for the enlargement of the scope and functions of the industrial townships undertaken by the central government undertaking so as to make themselves contained.

This clearly shows that while IUDP emerged out of the Fifth Plan pre-finalisation thinking, what emerged as the final programme was something different in content and emphasis from the policy proposals. For instance, the draft Fifth Plan approach did not have

<sup>9</sup>Government of India, Planning Commission, *Report of the Working Group on Urban Development for the Five Year Plan, 1978-83*, New Delhi, June, 1979.

<sup>10</sup>Government of India, Ministry of Works and Housing, Town and Country Planning Organisation, "National Urbanisation Policy: An Approach", November, 1974.

any clear anti-metropolitan attitude; no contraposition between large and small towns was made; on the other hand, by categorisation of the urban problems at district levels, it had more clarity. The hiatus between the initial policy proposals and ultimate programme coverage which came later, perhaps created this problem of equal treatment whereby both the large and small cities were covered. Inevitably, the larger cities were more likely to possess greater economic activity, a larger administrative and planning staff, and more experience with central funding programmes than smaller cities. In spite of the fact that it was the state government which was piloting and pushing the proposals of their own cities, the *inter se* prominence of the large cities could never be minimised. In reality, when IUDP funds were released more for the large cities, not in number but in relative amounts, the programme itself got the stigma that it was biased against the small and medium cities.

IUDP was overwhelmingly physical in nature. It emphasised new provision and strengthening of urban service delivery systems in water-supply, drainage, land development, housing, etc. To the extent expenditure on such items generated 'down-the line' employment, direct and indirect, and such services were consumed by the urban poor, the objectives of employment and income generation were certainly achieved. But no measure of such success could be obtained, because the number of actual beneficiaries remained unestimated. In the sense urban programmes are now directed as anti-poverty measures also, whether through small industries, or primary health components, IUDP projects were not so oriented. That urban areas are also economic machines, apart from geographical entities of human settlement only, and that improvement of urban services can be made to contribute to the economic functioning of such areas by removing bottlenecks, improving accessibility, increasing attractiveness for investment, etc., were not *raison d'etre* of the IUDP. The missing nexus between physical investment and economic productivity was too obvious.

There is another sense in which IUDP failed to take an economic approach to urban improvement. True to Indian tradition, public works were to be funded from public exchequer and executed by public agencies. There is nothing wrong in this approach, and in many ways, this is what it should be. Yet, this is also the reason why urban development has acquired the character of a public works approach. If there was an opportunity for IUDP to break away from this tradition, its relevance and appeal could have been so broadened as to invite and compel private investment to rejuvenate a city. IUDP funds could, therefore, in a pre-planned matrix, be utilised as initial input, motivating private investment especially in the

areas of employment and income generation. The nexus which was lost between physical and economic improvement could then perhaps be found again between public and private investment. Basically, therefore, what happened was that even though some improvement took place in delivery systems, the employment and income of the beneficiaries of these systems remained as before, to be taken care of by some other programmes outside the framework of IUDP. As a general situation, one can regretfully note that this nexus between public and private investment in urban development has rarely been achieved in this country in the post-IUDP period.

#### THE DEVELOPMENT AUTHORITY SYNDROM

Of all the components in the IUDP, land acquisition and development component accounted for about 70 per cent of all the projects approved. In almost all the assisted cities, land acquisition and development components were readily approved. Water supply and sewerage claimed the next bulk of investment. The predominance of land acquisition and development was no doubt due to the Recommended Urban Land and Housing Policy, which was circulated along with the *Guidelines*. This had apparently created an impression amongst the project authorities that IUDP was primarily meant for such projects. We have also noted how the hangover of the DDA had already prejudiced the approach to urban development.

The emphasis on land acquisition and development was defended on the grounds, *inter alia*, that

- (a) urban development programme should necessarily finance itself from as early a stage as possible;
- (b) by enabling a corpus of urban development fund to be built up fairly quickly, it enabled that objective to be fulfilled;
- (c) planned new areas could be built up which could avoid the usual congested and deficient conditions in the built up areas thereby: (i) preventing haphazard urban sprawl, (ii) ensuring urban fringe and periphery control by building and zoning regulations, (iii) ensuring a better "quality of life" in the new areas compared to the old town; and
- (d) the development authorities, by virtue of (b) above, would stand on their own legs having some kind of resources available to it for reinvestment and recycling.

There can be no better confirmation of this aspect in the IUDP

than the quotation below:<sup>11</sup>

Though the programme was meant to improve the quality of urban life, it tended to concentrate on schemes of land acquisition and area development. This was done in the belief that urban land could be developed as a resource and such transactions in valuable urban land would strengthen the resource base of the implementing agencies. This stress on exploitation of urban land values resulted in unintended neglect of critical problems in the existing urban areas.

The emphasis on land acquisition and development projects in the IUDP has revealed the following aspects:

- (a) It has tended to shift our attention and action away from the critical problems of the existing areas to areas where the effort is to start on a clean slate. Quite obviously, this has been a relatively 'easier' exercise since planning can be done, in such an effort, on one's own predilections. This smacks of some kind of an escapism.
- (b) The money spent on such projects tend to create ultimately some kind of a "high-income-high-level services" suburb, leaving the old city to its own fate. It has not been shown in all the cases that both the old city and the new suburb can be organically related to each other in any useful manner.
- (c) It has no relation to the specific needs and priorities of the population, especially the economically weaker sections in the urban areas. It is possible that the social benefits from other sectoral projects, like, water supply and sewerage may as well be as higher. Insistence on land acquisition and development may, therefore, appear to be some kind of an imposition from the above and may have resulted in a distortion of the priorities as may have been identified by the state governments or the city authorities.
- (d) In a way, it is true that land acquisition and development does help in strengthening the development authorities to get independent resources. But it is submitted that this development authority concerns itself almost always with the new area maintenance and extension rather than attending to the existing problems of the old area. The old city continues to languish under the emaciated local body, which does not stand to gain by this new resource generating which comes to the new authority.

<sup>11</sup>Government of India, *Status Paper on Human Settlements*, 1979, *op. cit.*

The *Guidelines* of the IUDP stipulated that a statutory development authority is required to be set up for each of the IUDP area. Such authorities were to be set up with inter-disciplinary expertise for planning, coordinating, implementing (where necessary), funding and supervising the development programme. In course of five years, in all the 31 IUDP assisted urban areas, development authorities have been set up.

It is obvious that such development authorities cannot be the *sine qua non* of urban development programme for all the areas. While it may be desirable to identify and even set up a particular agency in some cases for specific performance, it is also true that in many cases where separate functional statutory bodies already exist, a kind of orchestration by a command body may be necessary. The moot point is whether this command body is to be yet another super body leading to an additional bureaucratic appendage of the state government, or it is to be the state government through its own concerned department which is to achieve the required institutional orchestration. Nevertheless, having encouraged such development authorities to be set up under the IUDP without considering the variations in the local conditions, a justification was sought to be made of "institution-building" approach on a self-sustaining basis.

Before the IUDP commenced in late 1974 there were only two urban development authorities in India, viz., DDA in Delhi and CMDA in Calcutta. In the post-IUDP period during the last eight years 51 more such urban development authorities (UDA) for all sizes of cities have been created. It is significant that in the IUDP *Guidelines* the creation of such development authorities and implementation of large scale land acquisition and development (LAD) programme were both encouraged. There is an imperceptible but crucial nexus between the UDA and LAD programme especially in the Indian context. In another article on the UDA, I have dealt with that aspect of the matter in details.<sup>12</sup> It will be quite pertinent to ask, for instance, at what stage does the development authority begin to assume an authoritative role in the urban scene, granting that it is allowed to or expected to assume that character? Basically, it happens under two conditions: one, when capital budgeting is done by it, and second, when release of funds for particular projects is made dependent on scheme vetting and monitoring by such an authority. This is what the IUDP ensured, since one of the conditions of assistance (*vide* Appendix I) was that such statutory authorities should be set up by the state governments for the assisted projects.

<sup>12</sup>Kalyan Biswas, "Urban Development Authorities", *Urban India*, Vol. 2, June, 1982.

Secondly, Indian urban planning approaches have treated the long-pending and neglected problems of the inner cities to be almost unsolvable. Urban development, therefore, in the name of city development, seeks to find solace, as indeed IUDP did, in executing works in the extended urban areas. New townships and settlements are planned and executed on the periphery of the inner city, notwithstanding the fact that it is only those income groups which have any savings to spend can afford to live in those areas. Much tear is shed because the poor are being priced-out, but such neat and elite urban extensions push the poor farther out. Urban extension schemes, therefore, offer an excellent opportunity to escape from the realities of the inner cities where the real problems and the people are. Development authorities are the ideal instruments to carry out such projects, leaving the problematic core city to the emaciated civic bodies. Unfortunately IUDP strengthened this trend rather than reversed it.

#### POLICY IMPACT OF IUDP

IUDP should also be appraised for its effect on the process of urban policy making. To be sure, it was a programme and, as we have already noted, a programme without clear-cut objectives. Such a programme was not derived from any policy, since there has not been any urban development policy in this country. We have also noted that there were certain contemporary inspirations, may even be compulsions, for a programme like IUDP. But these inspirations did not constitute a self-consistent policy framework. The inspirations were mainly reactions to several field situations as could be perceived from time to time, as a result of which the reactions tended to be *ad hoc* and of fire-fighting nature.

Urban development in India has so far been approached more as a welfare programme than as an aspect of economic development. This is quite evident when one sees that the whole issue of urban development is cut up into compartments like large cities, small and medium cities, areas of national importance, etc. "The kind of thinking that focuses on accommodating the large city population in smaller towns or deflecting the migrants is not only arithmetically unviable, but also not possible from the point of view of logic of economic development".<sup>13</sup> Basically, this thinking is an outgrowth of a mistaken belief that metropolitan cities are growing very rapidly. The problems of different-sized towns are not dealt with according to their respective needs; on the other hand, the growth of one size-class is made to depend on the decline of another.

<sup>13</sup>Government of India, Ministry of Works and Housing, *Study Group on the Strategy of Urban Development*, 1983, *op. cit.*

IUDP failed to identify these issues, and instead of emphasising the character and role of urban areas, and mounting a programme on that basis, it unduly emphasised physical development, orderly urban growth, and achievement of a desired level of hierarchy of human settlements (if indeed there can be one).

One presumes that IUDP started on a defensive premise that since India is overwhelmingly rural, urban development has to take a back seat. On the other hand, the facts are that the urban sector generates a significant proportion of the gross national product and contributes appreciably to total employment. It has to be recognised that our large cities, specially the metropolises, should be regarded as national cities which perform a productive role in the economy for employment and income generation at the regional as well as national level. In addition, the large cities provide the most concentrated markets for consumer products and are centres for a variety of urban services, technological skills, social services, etc. An investment commensurate with the urban areas would not only solve the problems of urban decay, but more importantly, also equip the urban areas to serve the rural population much better.<sup>14</sup>

The central problems of the majority of Indian cities are those of employment and income; land use, settlement pattern, physical development should be the means to solve those problems. The real core of urban economic viability can only be seen by considering the city first as a workplace. As long as urban joblessness remains so pervasive, poverty so degrading, and stagnation so endemic, there cannot be any doubt as to where to begin; no other economic or social or physical or environmental factor can be more prominent than employment generation and income augmentation. To facilitate such an approach, a planned programme of repair and reconstruction of the basic and crucial civic facilities, which have deteriorated and continue to deteriorate far too much in the major urban centres of different sizes which are also prominent economic, commercial and trading centres, is to be emphasised. Although infrastructure investment may not seem directly related to economic development, the facilities in their present state impose substantial costs on all those living and working in those urban areas, and lessen their appeal as a place in which to live and work. Adequate provision for maintenance and a programme that integrates planning for maintenance and replacement have to be emphasised.<sup>15</sup>

It will be wrong to think that this new approach to urban develop-

<sup>14</sup>Government of India, Ministry of Works and Housing, *Study Group on the Strategy of Urban Development*, op. cit.

<sup>15</sup>Kalyan Biswas, 'A Livable Calcutta: An Agenda for Tri-Centenary', *The Statesman*, Calcutta and Delhi, September, 13 and 14, 1982.

ment in this country is a post-IUDP phenomenon. True, a little more advocacy of this approach is now being made, and that too significantly mostly by those who are not professional planners, but as yet it has not yet been fully drawn into the mainstream of national thinking which continues to be dominated by what is known as the physical determinism of urban development—a favourite theme of the physical planners. Yet, way back in 1966, the Basic Development Plan for Calcutta Metropolitan District<sup>16</sup> had the following objective, *inter alia*, for it:

To promote a more dynamic growth of the metropolitan economy with increased production and income, with efficient employment opportunities, and with close integration with the economic development of the region for which Calcutta provides vital economic functions.

Since the Calcutta plan did not contain conventional land use control maps and recommendations for zoning regulations, green belt, etc., it was totally ignored by the professional city planners in the country, even though it was hailed as having "pioneered in a new definition of a metropolitan plan.. only in England with the Southeast England plan and with the plan for Greater Paris, do we find the concept of a land use plan, a rather primitive notion, abandoned in favour of a *development policies plan* and that desired in Calcutta" (emphasis mine).<sup>17</sup> On the other hand, the structure plan of the Madras Metropolitan Area (MMDA)\* which seems to have earned some notice has had this comment made on it?<sup>18</sup>

Staff members speak in terms of city development. The economic or social, or political, or human values to be derived from the preferred land use pattern are nowhere made explicit. In those several hundred pages of reports we have read there is virtually no mention of these payoffs, certainly no analysis of them. In those hundreds of pages there is virtually no mention of the people of Madras, no mention of the debilitating poverty, no comment on

<sup>16</sup>Government of West Bengal, Calcutta Metropolitan Planning Organisation, *The Basic Development Plan for the Calcutta Metropolitan District, 1966-86*, Calcutta, 1966.

<sup>17</sup>Letter of February 7, 1967 from William L.C. Wheaton, Leader of the International Panel of Experts on the Basic Development Plan for Calcutta, to the Ford Foundation, New Delhi.

\* This is not to be confused with the recent (1980) structure plan for the Madras Metropolitan Area prepared by M/s. Alan Turner and Associates—*Joint Editor*.

<sup>18</sup>"Notes on Madras Metropolitan Development", Melvin M. Webber, Consultant to the World Bank Mission, June, 1974 (Mimeographed).



standards of living, no identification of problem to be addressed, no clues of the valued ends to be pursued. One reason, I suspect is that the authors speak in the language of city form, land use, and traffic volumes, and it is not possible to translate that tongue directly into the language of social value. Another is that MMDA has so thoroughly adopted the idiom of British town planning that Madras is discussed as though it were a British town. Were place names changed, a reader of these reports might easily read them as town planner's accounts of a Midlands industrial city.

It strikes me that this is MMDA's central difficulty. If the agency should fail to realise its tremendous potential for social betterment, it is likely to be redundant because it does not address the developmental problems of Madras in 1970's. Having adopted the technocratic town planning style, it could easily remain insulated from the societal developmental planning mission they might otherwise engage. Although I tried many times, I was wholly unsuccessful in discovering what they are substantively seeking to accomplish. Beyond discussion of land use and traffic improvements, there were few clues to the kinds of pay-off they seek.

By this time the purpose of quoting the Calcutta and Madras examples should be clear. What were said on Calcutta in 1966 and on Madras in 1974 have not only stood up well over time, but are even more relevant today in 1983 for almost all the major urban centres in the country. The examples cited also patently show how and where the precepts and practices of Indian urban planning fall between the two stools. The pity with IUDP was that it falls into that trap. Considering what constitutes the ongoing programme for small and medium towns (IDSMT), it is clear that we have not learnt our lesson.\*

Bereft of any policy framework, devoid of programme objectives, IUDP concentrated on land development and not economic development *per se*, resource-raising and not income-augmentation *per se*, systems planning and execution and not proper industry-mix and industry location *per se*. Land planning and land utilisation in new areas were encouraged, but investments towards infilling and redensification within the urban regions were neglected. Granting that redensification and infilling should be consistent with environmental needs and standards, there cannot be any better and more relevant economic strategy for our urban development than fuller utilisation of existing resources in order to optimise the installed investments and to bring out the fullest growth potential through complementary investments in

\* For an evaluation of the IDSMT, see the next paper published in this issue of *Nagarloka*,—*Joint Editor*.

critical areas, like, transport, power, drainage, and communication. In the final analysis, therefore, IUDP is found to be not a programme derived from a recognisable rationale, but a case where a rationale was sought to be made out of a programme.

As a central loan facility, a point can be made that long term soft loans, as under IUDP, could perhaps have been used for long-gestation hard core projects, like, water supply and drainage, leaving the short-term quick-return projects to be financed from other sources. IUDP funds were often described as catalytic in nature, intending to attract other finances in addition to state funds. This unfortunately did not always happen. As a result, IUDP loans financed both short-term and long term projects. This left two questions unanswered: (a) were projects to be approved for financing on the basis of their intrinsic value to the concerned urban areas, or on the basis of their ability to raise resources? (b) was it inescapable to utilise the long-term, low-interest loans of the IUDP on short-term projects, when there was an alternative source in Housing and Urban Development Corporation (HUDCO) for financing such projects? Perhaps HUDCO's involvement in IUDP could have brought about a little more depth and choice in the selection of aided projects. HUDCO has still remained basically without responsibility for any major urban development scheme.

A significant omission in the IUDP was its total silence on urban management aspects. *Prima facie*, one can assume two reasons for this : (a) obsession with the physical components, and (b) a naive idea that capital expenditure can be distinguished from routine maintenance. When one recalls that the IUDP *Guidelines* had gone into great details in the recommendations on land and housing policy, it becomes difficult to understand why the management aspects received such a neglect. *Guidelines* did, however, speak of the process of sanction, monitoring and evaluation, and some kind of programme administration. But it did not venture beyond these, apprehending perhaps that a central programme, like the IUDP, should not get enmeshed into the management arena which can best be left to the state government.

It is not our point that IUDP should have taken upon itself the task of organising and managing the assisted projects. Far from it. But one does get the feeling that the success of the IUDP was predicated on the assumption that administrative improvements and the local authority framework, including local management and taxes, will automatically follow. Urban administration has been defined to include all the government processes through which policies are translated into action. It deals with the local range of governmental organisation and processes for planning, for decision-making, and for performing and delivering the public services in an urban area. Administrative capacity itself is often a major determinant of objec-

tives that can be reasonably pursued and the 'internal' objectives of administration often play a major part in determining which objectives are to be pursued. IUDP, through its requirement of a "comprehensive and integrated urban plan" took it for granted that such a process will work itself out. As a result, whenever any IUDP project suffered, the fault was located either in the project details, or in fund shortage, or in the weakness in the implementing agency, but never in the context of either the formal structure and the management processes involved in any particular section of the administrative framework.

The role of the municipalities in urban development was never highlighted and was in fact very much downgraded with the positive support given to the creation of the urban development authorities. We have referred to this aspect earlier. But suffice it to say here that IUDP did a considerable damage to the process of revival and strengthening of the local government in urban planning and development. It was unfortunate that this happened as in no other field is the present shape of our local government less well adapted to the current needs than in city improvement matters; and indeed it was the IUDP thrust which, more than anything else, would have forced a new look at the organisation and performance of the municipalities and the municipal corporations.

A major development which has been taking place in the Indian urban scene is that the management of urban infrastructure has not remained an exclusive jurisdiction of the local government bodies. Increasingly there appear other agencies which govern the same urban space giving rise to problems of conflict resolution and strategic intervention to obtain inter-institutional consensus and of resistance. Consequently, the local government bodies have been reduced to service-oriented institutions, mostly concerned with the operation and maintenance of a limited number of civic services. A phantom distinction between capital works on the one hand, and maintenance and operation on the other, is brought about and persisted with. IUDP sharpened this distinction in favour of development authorities. The policy question, and a moot question at that, which the IUDP could have raised in the course of its implementation, was whether the local government bodies would be allowed and actually encouraged by the state governments to take up their fundamental role of city governance, including planning and development, leaving the development authorities, if at all created, to deal with strategy issues, and monitoring, evaluation and long term planning functions.

#### CONCLUSIONS

A few months before the scheme was dropped in March, 1979,

the *Guidelines* of the IUDP were revised in August, 1978 to cover cities with a population of 50,000 plus. In a way this modification owes its introduction to the recommendation made in the Housing and Urban Development Ministers' Conference in 1976 that the IUDP should be extended to cover all cities with a population of 100,000 plus. In the revised *Guidelines* greater specificity in objectives, coverage, components, norms and standards, project management and the conditionalities were brought about. These revised *Guidelines* were issued to the state governments, but no assistance was given under the new *Guidelines* because the guillotine of March, 1979 had already fallen on it. However, one good thing which came out of the revised *Guidelines* was the introduction of a new central sector scheme for integrated development of small and medium towns (IDSMT) which, we have already noted, is in progress since then.

By way of record it should be mentioned that the IUDP achieved two limited objectives. Firstly, it aroused some consciousness in the state governments to give more attention to the urban problems in the states which perhaps, without such a central scheme, would not have been there—apart from what some of the state governments were already doing on their own in this area. Secondly, by insisting that central assistance would be released on state government's making available the counterpart resources, it enabled the pooling of investible resources from all state sectors under one format for urban development. As already noted at the outset, the scheme was dropped as a central sector scheme in 1979-80. It was certainly an abrupt end of an ambitious scheme and the following quotation is apt:<sup>19</sup>

The termination of the IUDP raises questions about the future of Metropolitan Development Schemes and Central direction for the schemes so far given by way of appraisal of IUDP projects. It also leaves in doubt the prospects of a large number of schemes taken up in different cities/towns of which the spill-over cost has been estimated at Rs. 1,000 crores. We hope these important issues will be soon resolved.

We have attempted an assessment of the IUDP as an element in Indian federal urban policy in four major respects: IUDP as a programme, as a process, as a financing method and as a symbol of urban development. Let me hasten to add that it was indeed a short period of 5 years (1974-75 to 1978-79) in existence, and it was too brief a period to ensure that all the promises and hopes that it had initially generated

<sup>19</sup>Government of India, Planning Commission, *Working Group on Urban Development*, June, 1979, *op. cit.*

would have been kept, or all the pitfalls and deficiencies rectified. In other words, it may be that a fair trial was not given to it for a fullscale appraisal. The programme did take quite some time to take-off, and just when it seemed to be warming up, it was cut off. The assessment made in this article acknowledges these factors, but attempts to go a little beyond the *facade* of the programme to question some of the basic issues which, on further discussion and clarification, may perhaps provide sounder bases for future central sector scheme in urban development in this country. □

## Appendix I

### SALIENT FEATURES OF THE CENTRAL SECTOR INTEGRATED URBAN DEVELOPMENT SCHEME (1974-75 TO 1978-79)

#### I. *Conditions of Assistance*

The following principal conditions will be applicable :

1. The state government should have an integrated plan for the development of city based on a long term master plan and should also have specific projects which could be taken up for financing under this scheme. Financial assistance may include assistance in the form of seed capital for the purpose of land acquisition, development and disposal, for urban renewal and redevelopment projects and for provision of urban infrastructure and composite projects for the development of a specific area of a city including provision of civic services in critical areas.
2. The state governments should pass comprehensive Town and Country Planning Acts providing for preparation and statutory approval of master plans, land use control setting up of Planning and Development Authorities for undertaking the execution of development plans.
3. The state governments should set up Planning and Development Authorities which should have adequate powers for planning, coordinating, implementing, funding, and supervising the programmes of land development and disposal and for execution of other projects. Such authorities will need to have statutory backing, so that they can effectively coordinate the development of cities in an integrated manner. Naturally, these authorities should have inter-disciplinary expertise available to plan and execute comprehensive development programme.
4. The state governments should adopt a rational urban land and housing policy. Such a policy should provide for optimum utilisation of land for various needs of the community and should particularly take into account the requirements of working sections of the society. Such a policy should also be integrated with a policy of large scale housing programme to be undertaken by the Authority itself or by another agency created for this purpose. A model urban land and housing policy which may be adopted by the state governments with suitable modifications, is enclosed.\*

\*Not included here—Jt. Editor.

5. The state governments, particularly those seeking assistance for metropolitan cities should accept and adopt a policy of dispersal of industries and other economic activities from metropolitan areas to smaller growth centres and this policy should be given effect to while preparing the development plans of the cities, so that large industries are prevented from coming up in metropolitan centres while adequate incentives are offered to them in other satellite and smaller towns.
6. The representatives of the Government of India should be effectively associated with the working of Development Authorities.

## II. *Pattern of Financing*

The following pattern of financing will be applicable to the assistance under this scheme:

1. The project would be primarily financed by the internal resources of the implementing authorities and the resources provided by the state governments. The central assistance is intended only to supplement and strengthen the resources of the implementing agencies and those provided by state governments.
2. As stated earlier, the central assistance may be in the form of seed capital which will be made available on the basis of the programme of land acquisition and development in a city. The central assistance would also be available for execution of integrated urban development projects but the assistance provided for this purpose will be up to  $33\frac{1}{3}$  per cent of the funds required for the project so far as the metropolitan cities over one million are concerned, the balance to be found by the state governments from their own sources. In regard to smaller cities, assistance would be upto 50 per cent, the balance being found from their own sources.
3. Financial assistance would be given to the state governments for the above purposes and on the above conditions in the form of loan on the usual terms regarding rate of interest and period of repayment applicable to such loans. The state government will make funds available to Development Authorities, etc., in the form of loan or on such terms and conditions including subsidies as are normally available for such scheme.

## III. *Sanction of Schemes*

All such projects will be processed by the Ministry of Works and Housing in consultation with the Ministry of Finance and the Planning Commission.

IV. *General*

1. The project proposals should be furnished to the Government of India in the proforma given at Annexure II\* in the case of request for financial assistance in the form of seed capital, and in Annexure III\* proforma in respect of request for financial assistance for other projects.
2. After the release of the first instalment of loan, the next instalment would be released only on receipt of a certificate from the state government regarding utilisation of the previous instalment.
3. The state governments will be required to submit quarterly progress reports of the projects sanctioned. These will be in a proforma to be prescribed.
4. Periodical inspection of the projects sanctioned under the scheme will be undertaken by officers of the Government of India.



## Appendix II

STATEMENT INDICATING THE CENTRAL ASSISTANCE SANCTIONED UNDER THE  
SCHEME FOR INTEGRATED URBAN DEVELOPMENT OF METROPOLITAN  
CITIES AND AREAS OF NATIONAL IMPORTANCE

(Rs. in lakhs)

Names of States	Names of Cities	Amount sanctioned							Total
		1974-75	1975-76	1976-77	1977-78	1978-79	7	8	
1	2	3	4	5	6	7	7	8	
Madhya Pradesh	1. Bhopal	15	75	100	—	—	—	190	
	2. Indore	15	75	110	—	—	—	200	
	3. Raipur	—	—	10	39	30	—	79	
	4. Ujjain	—	—	—	95	—	—	95	
	5. Gwalior	—	—	—	15	10	—	25	
	6. Jabalpur	—	—	—	75	110	—	185	
	7. Korba	—	—	—	20	22	—	42	
	TOTAL	30	150	220	244	172	—	815	
Punjab	1. Ludhiana	54	75	150	104	216.50	—	599.50	
	2. Jullundur	—	—	10	75	150.00	—	235.00	
	3. Amritsar	—	—	—	100	150.00	—	250.00	
	TOTAL	54	75	160	279	516.50	—	1084.50	
Kerala	1. Cochin	—	60	60	80	157	—	357	
	TOTAL	—	60	60	80	157	—	357	
Uttar Pradesh	1. Kanpur (IUDP)	—	61	107	—	—	—	168	
	2. Kanpur (IDA)	—	50	—	—	—	—	50	
	3. Allahabad	—	50	—	—	—	—	141	
	4. Lucknow	—	—	20	51	70	—	141	
	TOTAL	—	161	127	51	70	—	409	

Andhra Pradesh	1. Hyderabad	43	40	13	20	116.00
	2. Hyderabad (SPF)	30	151	38.38	401	1060.38
	3. Visakhapatnam	—	—	—	5	80.00
	TOTAL	30	191	371.38	426	1196.38
West Bengal	1. Calcutta	750	750	1050	1047	4197
	2. Haldia	—	80	—	—	130
	3. Asansol	—	10	—	—	10
	TOTAL	750	840	1050	1047	4337
Gujarat	1. Ahmedabad	—	75	117	44	271
	2. Baroda	—	10	—	4	14
	TOTAL	—	85	117	48	285
Karnataka	1. Bangalore	—	30	170	—	200
	TOTAL	—	30	170	—	200
Maharashtra	1. Bombay	387	1100	484	776	3062
	2. Pune	—	—	20	20	20
	3. Nagpur	—	—	20	27	47
	4. Kolhapur	—	—	48	74	122
	5. Solapur	—	—	—	—	—
	TOTAL	387	1100	592	897	3291
Tamil Nadu	1. Madras	200	112	284	474	1335
	2. Coimbatore	—	—	146	—	146
	3. Madurai	—	—	32	77	109
	TOTAL	200	112	462	551	1590
Rajasthan	1. Jaipur	—	—	—	35	35
	TOTAL	—	—	—	35	35
GRAND TOTAL		1451	2925	3416.38	3919.50	13600.88

SOURCE : Government of India, Ministry of Works and Housing, *Annual Administrative Report, 1979-80*, New Delhi, 1980.

# IDSMT : A Policy Analysis

ASOK MUKHOPADHYAY

TODAY INDIA'S urban population has been estimated at 156 million.<sup>1</sup> This is something like 24 per cent of India's total population. It is higher than the population of many of the sovereign countries in the world. This urban population is mostly concentrated in large cities and only about 40 per cent live in small and medium towns of less than one hundred thousand population. A dozen of the large cities already have more than a million population each. This trend of concentration of urban population in the large cities began engaging the minds of the Planning Commission and the Government of India since the beginning of the Fifth Plan.

## POLICY DEVELOPMENT

A special Task Force was appointed by the Prime Minister in October 1975 to study the problems of the small and medium towns and to suggest appropriate policies for their proper development in the national and regional context so that they could be made to play a significant role in the country's development process, especially the urbanisation process. Reporting in 1977, this Task Force underlined the urgency of considering the entire system of human settlements in villages, towns, cities, and metropolitan centres as a 'single issue', and emphasised the need to work towards a balanced spatial pattern "by assigning a reasonable share of the socio-economic overheads" to the whole range of human settlements.<sup>2</sup> The Task Force suggested a multi-pronged approach and emphasised that "action should be synchronous in various areas if the contemporary evils of urbanisation have to be mitigated."<sup>3</sup> It made a specific recommendation that a greater degree of attention be given to the existing cities within a population range between 50,000 to 300,000, especially while pursuing the goals of industrial decentralisation.<sup>4</sup>

<sup>1</sup>The exact figure (1981 census) is 156,188,507.

<sup>2</sup>Government of India, Ministry of Works and Housing, *Report of the Task Force on Planning and Development of Small and Medium Towns and Cities*, Vol. 1, New Delhi, 1977, p. 86.

<sup>3</sup>*Ibid.*

<sup>4</sup>*Ibid.*, pp 87.

The Task Force took sufficient care to spell out the following imperatives for ensuring proper selection and development of small and medium towns:<sup>5</sup>

- (a) formulation of a national urban policy;
- (b) urban land policy to ensure proper use of land and prevention of wastage;
- (c) development of small and medium cities and metropolises with organic linkages to the areas around;
- (d) identification of growth points in the regions that may be delineated;
- (e) evolution of location policies in the context of regional development;
- (f) provision of an inviolable green-belt around settlements of certain size;
- (g) working out of rational and workable norms and standards of urban development; and
- (h) creation of appropriate statutory local government agencies at various levels.

It was simultaneously emphasised that the national population policy was to be supplemented by a "national population distribution policy", and the case was made for "a resource inventory of both habitable and non-habitable regions". The Task Force was convinced that "if resource mobilisation is linked to spatial planning, it would contribute to the development of small and medium towns."<sup>6</sup>

The UN Conference on Human Settlements—Habitat (1976)—had already pointed out the need for taking a new view of development process in terms of environment and social justice, and urged upon all public authorities to make rapid and continuous improvement in the quality of life. The Habitat (1976) and the Task Force Report (1977) induced a new thinking in urban planning and development in India.

#### OBJECTIVES

The Government of India formally declared a national urban policy option in the Sixth Plan<sup>7</sup> by formulating the Integrated Development of Small and Medium Towns (IDSMT) with the avowed objective of arresting the growth of metropolitan cities. The thrust of the

<sup>5</sup>*Report of the Task Force, op. cit.*, pp. 87-88.

<sup>6</sup>*Ibid.*, p. 90.

<sup>7</sup>The Sixth Plan originally covered the period 1978-83, which was later revised to 1980-85, after a change of government at the centre in 1980.

new urban policy is to slow down and, if possible, to reverse the growth of metropolitan cities, and increase the rate of growth of small and medium towns by putting greater emphasis on the provision of infrastructural and other essential facilities to these towns and planning them as growth and service centres for their rural hinterlands in order to reduce the rate of migration to metropolitan cities.<sup>8</sup> The idea was to draw up a proper programme of integrated development of each such town keeping in view its locational importance and linkages in the region. The policy was approved by the National Development Council and the IDSMT was accepted as a centrally-sponsored scheme for immediate implementation. This centrally-sponsored scheme of IDSMT seeks to provide central loan assistance for selected items of development to the government of a state/union territory on a matching basis so as to serve the integrated development of selected small and medium towns during the Sixth Plan period.<sup>9</sup> An amount of Rs. 96 crores has been allocated in the Sixth Plan to the IDSMT programme.

#### GUIDELINES

The necessary administrative guidelines were issued by the Ministry of Works and Housing, Government of India, in December 1979.

##### *Coverage*

The IDSMT programme is to cover small and medium towns with a maximum population of 1 lakh (1971 census basis). The ministry's *Guidelines* suggest that in selecting the towns preference is to be given to district headquarter towns, followed by sub-divisional towns, mandi (market) towns, and other important growth centres. As all towns of this size would not be covered within a single five year plan, the selection of town has to be done carefully with reference to the rate of growth of population, growth of district and the region, and the investment taking place in the hinterland. The other important criteria include the linkage of employment generation with urban development and the capacity of the institutions responsible for urban development.

##### *Components*

The project document prepared for integrated development of an identified town should include components for which central govern-

<sup>8</sup>*Draft Sixth Five Year Plan, 1978-83 (Revised)*, pp. 455-56.

<sup>9</sup>What follows is a summary of the document known as *Guidelines of Centrally-sponsored Scheme for Integrated Development of Small and Medium Towns*; Ministry of Works and Housing, Government of India, 1979.

ment's assistance would be available on a matching basis, for example, land acquisition and development of roads, development of mandis/markets, setting up industrial estates, and schemes of agricultural and rural development. Also should be included in the project those components which would receive funds from the plan budget of the state government, for example, slum improvement and urban renewal schemes, small employment-generating schemes, low-cost schemes of water supply, drainage and sewerage, public health schemes of preventive nature, parks and playgrounds, and modification of city master plans for permitting mixed land-use.

### *Standards/Norms*

The standards or norms for these planned development projects should relate to the size of the urban settlement, nature of services to be provided and population trends. It was also intended that standards/norms should be incrementally built up as the resource position improves and paying capacity of the beneficiaries increases.

### *Planning, Implementation and Coordination*

The implementing agency of the IDSMT programme has to be identified by the state/union territory government and coordination has to be achieved through either state government departments or state-level agencies. The local authorities like municipalities are to be involved in the preparation and implementation of the IDSMT programme. The *Guidelines* insist that institutional arrangements for project formulation, execution and monitoring should be well-defined so that funds are properly utilised, and a significant impact could be created on the physical conditions of the selected towns and the living conditions of their population.

Adequate powers are to be delegated to the implementing agencies for sanctioning estimates and eliminating procedural delays. There should be a unit for coordination, monitoring and evaluation of IDSMT programme under the collector at the district level and under the chief secretary or development commissioner at the state level. The state level machinery should be responsible for formulating plan frames, giving general policy directions, reviewing progress, ensuring timely flow of funds and other resources. The state government has to ensure proper maintenance of the infrastructure and other assets/facilities created.

### *Budgetary Arrangements*

The central assistance for the IDSMT schemes is to come as loan at 5.5 per cent interest to the extent of 50 per cent of the project cost in suitable instalments, provided matching assistance is made by the state government and/or implementing agency. The responsibility of

timely payment of interest and principal lies with the state/union territory government. The central government's share would have to be included in the budgets of the state government and of the implementing agency. A capital budget for specific urban development programmes has to be prepared and funds provided for an approved scheme must not be diverted to other schemes.

The state/union territory government has to forward to the central government half yearly progress reports in physical and financial terms, and indicate further assistance sought. No instalment of funds is to be released without the state government's utilisation certificate regarding the previous instalment. On the basis of these progress reports, the central government would indicate the likely allocation of assistance in the annual plan.

### *Other Conditions*

The state government should have an integrated plan for development of the town, preferably as part of a long-term master plan or development plan as required by the town and country planning legislation. There should be a detailed financial and institutional planning for municipal finance and provision for training of personnel of the implementing agencies. The state government should preferably have an appropriate urban land policy in order to provide for mopping up of unearned income accruing to private parties consequent upon the implementation of IDSMT programme.

The central assistance is meant only to supplement and strengthen the resources of the implementing agencies and those provided by the state government. This has to be passed on to the implementing agencies by the state government within a month on the same terms and conditions.

### *Project Report*

A project report for each selected town has to be prepared containing information relating to: (a) location, size, population growth, employment and income patterns of the town and its role in relation to the regional, state or national economy; (b) existing shortage in services and facilities; (c) detailed description of the components of integrated development programme and its annual phasing; (d) estimate of resources (total and annual) and proposed sources of funds (central assistance, state budget, internal resources of the implementing agencies, institutional borrowing etc.); (e) constitution, functions and capability of the implementing agency; (f) estimates for maintenance and operation of assets/facilities to be created; (g) machinery for coordination, monitoring and evaluation; (h) benefits expected from the programme and their relevance to the objectives of IDSMT;

and (i) site plan showing the location of all the projects.

### IMPLEMENTATION

The IDSMT Scheme, which was launched in 1979-80 with some zeal and enthusiasm, is already four years old. The response received so far has been modest. Originally the target was to cover 231 towns in the country during the Sixth Plan period. In the first year (1979-80) only 31 towns were taken up; in the second year (1980-81) 90 additional towns were covered; and in the third year (1981-82) 47 more towns have come under the scheme. Till the end of March, 1983 as many as 220 projects have been sanctioned.<sup>10</sup> Of the total 168 towns covered up to the third year, very few towns have so far approached for release of the second instalment.<sup>11</sup> In most cases, the first instalment released from the central government has not been fully utilised. The progress achieved so far does not seem to be satisfactory at all. Some states and union territories are yet to appear on the IDSMT map. Those states and union territories which have introduced the programme have been experiencing various problems and difficulties. It seems that most of the problems are the creations of the state governments and implementing agencies. Moreover, there are some inherent constraints in the IDSMT programme itself.

The implementation of the IDSMT programme has, in practice, already met with certain difficulties both at the pre-approval and the post-approval stages.

The first major problem has been the selection of towns under the IDSMT. The *Guidelines* require that sufficient care is to be taken in selecting towns so that selected towns could form an integral part of the overall urban development strategy envisaged for the particular state/union territory. The original idea of the Town and Country Planning Organisation (TCPO)—the central technical agency for the IDSMT scheme—was that any scheme of integrated development of towns should identify: (a) the natural endowments of the given town in the form of river-fronts, water-bodies, lakes, hilly features, etc.; (b) the historical heritage of the towns reposed in its urban or community forms or historical/monumental structure; and (c) the overall environment of the towns, especially the need for developing "open space greens".<sup>12</sup> For paucity of funds and other limitations, this

<sup>10</sup>Report for 1982-83, Ministry of Works and Housing, Government of India, New Delhi, 1983.

<sup>11</sup>Sayed S. Shafi, "Integrated Development of Small and Medium Towns: Problems and Prospects", paper presented at the National Seminar on IDSMT, IIPA, March 18-19, 1982, p. 8 (Mimeographed).

<sup>12</sup> *Ibid.*, p. 6.



idea could not be included in the ministry's *Guidelines*, and the selection of the towns was left entirely to the governments of states/union territories. It has been a common experience to find the state governments selecting towns on considerations extraneous to the policies and strategies of urban planning and regional development. Moreover, the state governments have sometimes been found desirous of substituting earlier approved towns by some new or alternative towns without giving convincing reasons. Thus somewhat irrational policy of the state governments has left many potential and needy towns unattended. Such a policy also causes delay in project formulation.

The IDSMT programme wants project formulation as a feasible package or mix of projects which should help trigger self-sustaining growth in a town. What has been found in practice is that many state governments do not have adequate planning expertise for proper formulation of projects. In many states the responsibility for project formulation has been given over to the municipalities which usually have neither the planning personnel with technical expertise nor the financial resources to do the job. Many municipalities do not have any development plan/master plan at all. Absence of such a plan makes it difficult to decide upon a proper mix of schemes for such towns. "Very often quite arbitrary items not related with real problems of the town are included in the Project Reports".<sup>13</sup>

The second snag in the project formulation has been that the state governments do not always make necessary financial provisions in their budgets for the Part B (i.e. state sector) schemes mentioned in the *Guidelines*. The non-inclusion of the state government's own schemes in its budget renders a project report incomplete and defective, and this results in delay in approval. As a chain consequence, this leads to delayed completion of projects and accounts for non-submission of requests for the second instalment of central assistance. Even after a project is formulated, the rules require it to be routed through the appropriate authority of the government of the state/union territory. The whole procedure produces delay in submission and consequent belated commencement of the execution work.

So far as post-approval problems and constraints are concerned, procedural matters appear to be very important. Funds are to be routed through state governments but they frequently fail to transfer in time the central assistance to the implementing agencies (the *Guidelines* prescribe a maximum limit of one month for such transfers). Then, the state government's matching contribution comes very late and it actually does not match the central assistance. This factor again causes delay in commencement or strains the finances of the imple-

<sup>13</sup>Sayed S. Shafi, *op. cit.*, p. 10.

menting agencies. In most cases the municipalities, especially of small and medium towns, simply do not have necessary funds to withstand such financial strains. Execution of projects is, therefore, inevitably delayed.

The IDSMT programme has been visualised on the assumption that enough land would be available in small and medium towns for development purposes. But, in reality, few small and medium towns have any land in reserve: hence, land acquisition becomes a must for any development project enunciated in the programme. But land acquisition being a tardy and time-consuming process, many implementing agencies have been forced to change the scheme or at least the site. The consequence is again delay, because any such change would require fresh formulation of a project/scheme, sometimes requiring another approval causing further delay.

It has been reported that "in several cases, after the project has been approved by the central government, the implementing agency has changed priority of the schemes and has approached the central government for allowing it do so".<sup>14</sup> In all such cases either the scheme was faulty initially or some external pressures worked subsequently necessitating a change in the determination of priorities. The net result is, again, delay. Along with these constraints in the implementation process, delay also brings in the problem of cost escalation. By the time a project is approved, the implementing agency often finds it impossible to execute the project at the old cost, because of the intervening delay. Apart from these compelling circumstantial factors, the IDSMT programme seems to be based on some unrealistic assumptions regarding implementation capabilities. The basic purpose is to develop small and medium towns which in India are traditionally severely weak in their managerial capacity. Yet the IDSMT scheme expects these towns to 'digest' the expenditure of one crore rupees. Experiences of Tamil Nadu and Madhya Pradesh in this regard testify that small towns would like to come forward with small outlays for approval. But spending small amounts in large number of small towns is likely to have little impact on the urban development strategy as such, and the basic purpose of the IDSMT programme is likely to be frustrated.

Too much procedural formalities and technical requirements insisted upon by the IDSMT *Guidelines* also act as a constraint on its successful implementation. Some amount of reluctance found on the part of the governments of state/union territory or municipalities to come forward with development proposals can be ascribed to these factors. Moreover, the whole scheme has been drawn in such terms

<sup>14</sup>Sayed S. Shafi, *op. cit.*, p. 12.

as would not appear attractive to the state governments who have to commit much more from their own sources in order to be qualified for the central assistance. Some of the state governments may not be in a position to do so. Experiences of West Bengal and Jammu & Kashmir provide testimony to this point. On the other hand, again, there are some towns in Haryana and Punjab where the total programme expenditure is far bigger than one crore rupees and, therefore, these state governments are found not interested in seeking the central assistance of mere forty lakh rupees. These two states prefer to use the technique of urban land development and disposal as a source of finance for urban development.

Finally, the monitoring machinery has not been established in most cases. As different departments of the state governments are entrusted with implementing the Integrated Urban Development Project (IUDP) scheme, proper coordination with them would be of much help in project appraisals under the IDSMT programme. Some amount of flexibility in planning and designing development schemes would have to be allowed in accordance with the peculiar needs and problems of a small/medium town *vis-a-vis* the problems faced by its neighbouring big city and its rural hinterland. At the stage of selection of towns, project formulation under the IDSMT needs to be integrated with metropolitan or regional planning.

#### FINANCIAL IMPLICATIONS

Apart from the problems and constraints inherent within the IDSMT programme as stated above, there are also some financial implications of this programme. A recent study has concluded :

The local financial implications of this programme, the ways and means of mobilisation of resources at the local level should have been visualised well before the launching of the programme and concurrent action should have been initiated to devise new source of municipal revenue as also a new pattern of fiscal transfer from the higher levels of government to the municipal authorities for taking care of both their revenues and capital expenditure needs.<sup>15</sup>

The programme itself should contain proposals for adopting new methods of financial planning and management practices at the local level. Any development approach, called 'integrated', is to develop forms, methods and procedures or organisations in order to facilitate the necessary interaction of all critical factors at appropriate time.

<sup>15</sup>G. Jha, "Financing the Integrated Development of Small and Medium Towns: A Case Study of Hospet", *Nagarlok*, Vol. XVI No. 1, January-March, 1983.

The *Guidelines* suggest that project reports are to contain information on the extent of mobilisation of resources at the local level through enhancement of the existing municipal rates and taxes and imposition of new levies. This seems absolutely necessary because the municipal authorities of small and medium towns would be expected to maintain the assets created under the IDSMT programme. But this aspect has not received proper attention at the time of adopting the policy of urban development through IDSMT programme. A study of Hospet town, where the IDSMT scheme is in operation, shows that there has been no integration between the resource mobilisation strategies at the state and local levels. Nor is there any appraisal of the local resource base and its mobilisation for financing the capital investment as well as operation and maintenance of the assets to be created.

#### POLICY INADEQUACIES

Apart from the inadequacies and imperfections in the implementation process, one can look at the policy aspect of the IDSMT programme where certain faults and gaps are apparent. First of all, it may be asked: who are supposed to be the beneficiaries of the IDSMT programme? It is meant for towns having a population of one hundred thousand (100,000) and below, but the fact is that the technical requirements under the *Guidelines* cannot be fulfilled by municipalities or townships with such a small population, nor would they have sufficient technical manpower and financial resources to execute the schemes and maintain the assets thereafter.

Secondly, the choice of implementing agencies for the IDSMT programme has been left open. Urban development authorities, city improvement boards or any other board or agency of the state government (in some cases, municipalities also) are entrusted with different development schemes under the IDSMT programme. This very institutional choice for effectuating urban development ultimately weakens the elective urban government. In Indian conditions, municipalities cannot successfully compete with urban development authorities or city improvement boards so far as personnel and funds are concerned. Moreover, the organisational and financial capabilities of municipalities are to be studied before entrusting them with the implementation of IDSMT schemes. If municipalities are by-passed because of their organisational and financial incapability of implementing IDSMT projects, that would betray a lack of political will to see the municipalities growing into vigorous and capable institutions of urban government in small and medium towns.

Thirdly, if small and medium towns are to be developed as integral parts of the urban development strategy and to serve as growth

centres countering the population drift towards big cities, their economic base has to be strengthened by diversifying the economic activities of the people so that more and more employment opportunities could be created within such towns. Unless this objective could be achieved, no amount of expenditure on implementing isolated projects would be able to stem the tide of city-ward migration. The fundamental policy goal of the IDSMT would, then, remain unrealised.

Fourthly, the scheme of financing on 40:40:20 basis seems unrealistic. As their resource positions remain at present, the municipalities of small/medium towns would generally find it hard to contribute Rs. 20 lakhs in order to be qualified for being included under the IDSMT programme. Compared to the central government, the state governments suffer from their weak financial positions, and therefore it seems unfair to insist upon equal contribution (Rs. 40 lakhs) from the state government in order to be entitled to the central assistance of an equal amount. This central assistance, again, comes as loan for capital expenditure. This financing policy aspect makes the IDSMT programmes somewhat unattractive for ready acceptance and implementation.

Another point deserving attention in this connection relates to weakening municipal finances in India. In a recent (1980) judgment the Supreme Court has extended the provision of new Rent Control legislations too far for the assessment of property tax which is still the premier source of municipal revenue.<sup>16</sup> Some of the state governments are also keen to abolish *octroi* which is yet another source of municipal revenue. Integrated development of small/medium towns cannot be conceived in isolation of devising ways and means for promoting fiscal capabilities and strength of urban local bodies.

Fifthly, the *Guidelines* reflect the narrow policy stance of creating some infrastructural facilities in small/medium towns. There is no indication here how the role of such towns is to be fitted into the hierarchy of settlement patterns in the context of regional development and how towns would act as counter magnets to the continuously growing big and metro cities, and promote a balance development of the towns and their rural hinterland. Besides, some components of integrated development have been indicated by separately mentioning which belong to the central sector and which belong to the state sector within the IDSMT programme. But some important components are still missing; for example, education, medical relief, family welfare, communication, child welfare, and welfare of the handicapped. These components need to be integrated within any scheme called 'integrated

<sup>16</sup>*Dewan Daulat Rai Kapoor, vs. New Delhi Municipal Committee*, AIR 1980 SC, 541.

development'. The concept of integrated development is seen to have been diluted in many project reports which smack of the spirit of 'master plan' idea, because the components of development projects included are invariably those which are usually found in any town planning report.<sup>17</sup>

### CONCEPTUAL VAGUENESS

The IDSMT programme as a policy statement basically suffers from conceptual vagueness so far as 'integrated development' is concerned. As a conceptual tool used in planning and development, 'integrated development' emerged in the mid-sixties in the wake of palpable failures of sectoral planning. The realisation dawned in the minds of the planners that the development strategy must be thought out in terms of the total development of the society by taking a wider sweep for satisfying all the related needs and requirements of the people. The objectives of different functional agencies would have to be merged into a concrete action programme for improving the economic status, social well being and the environmental milieu. There has been an almost universal tendency for each level or sector of planning to develop its own area of expertise and corporate identity, with all the consequent implications for problems which fall between disciplines or jurisdictional boundaries. Many problems could not be dealt with without an integrated approach. This point was recently forcefully made by an UN agency.<sup>18</sup> Any blueprint for integrated development must therefore develop forms, methods and procedures or organisations which would allow the necessary interaction of all critical factors at appropriate time. Both the total environmental objectives and the strategies for realisation of these objectives require to be integrated into an overall planning strategy. Integration also needs to be achieved between different vertical levels, namely, national, regional and local. As economic development is conventionally associated with the acceleration of the rate of growth of GNP, the qualifying adjective of 'integrated' signifies the consciousness with which social and environmental improvements have to be made for upgrading the quality of life of the people. The Sixth Plan document recognised

<sup>17</sup>G. Jha, "Integrated Development of Small and Medium Towns: Some Conceptual Issues", Paper presented at the 'National Seminar on IDSMT', IIPA, March 18-19, 1982, p. 11, New Delhi (Mimeographed).

<sup>18</sup>United Nations, Economic Commission for Europe, Committee on Housing, Building and Planning, *Report of the Seminar on Integrated, Physical, Socio-economic and Environmental Planning*, Bergen (Norway), June 18-22, 1977.

the inadequacy of sectoral approach to planning,<sup>19</sup> and its integrated approach was better conceived in the field of rural development. To quote from the plan document: "Integration here (IRDP) covers four principal dimensions: integration of sectoral programmes, spatial integration, integration of social and economic processes, and above all, the policies with a view to achieving a better fit between growth, removal of poverty and employment generation."<sup>20</sup> But in the case of urban development, the approach made is marked by incongruities and inconsistencies. The Integrated Urban Development Programme (IUDP) under the Fifth Plan was confined to very large cities (including the four metro cities) where the integrated approach was not followed in practice.<sup>21</sup> When the concern for integrated development shifted to small and medium towns in the Sixth Plan, it was based on an erroneous notion that small/medium towns are decaying in terms of population. Identifying small towns only on the basis of population size has now lost relevance,<sup>22</sup> and the very idea of small/medium towns losing population is also not supported by facts.

#### POLICY PREMISES RE-EXAMINED

As the process of policy analysis is supposed to provide the political decision-makers with the basis for making the most appropriate choices among various alternatives, one can venture to present here a policy alternative to the one on which the IDSMT programme is based.

Most of the official concern in India with urbanisation process has been wrongly related to the relative growth rates of large cities (with population of over 100,000) and small/medium towns (with population of less than 100,000). The studies done so far on urbanisation process have come to a general consensus that urban development in small/medium towns has, in fact, no meaning except in terms of the economic conditions in the surrounding areas. These types of human settlement need to be planned and developed in the context of the hierarchy of urban development. The growth of these units of habitation cannot be ensured just by locating some industries in them or building some structural assets of urban development. On the other hand, when industrial location is determined exclusively on the

<sup>19</sup>Government of India, Planning Commission, *Draft Sixth Five Year Plan, 1978-83* (Revised), New Delhi, 1979, p. 303.

<sup>20</sup>*Ibid.*, p. 305.

<sup>21</sup>*Revised Guidelines for the Central Scheme for Integrated Development in Metropolitan Cities and Area of National Importance*, Ministry of Works and Housing, Government of India, New Delhi, 1978.

<sup>22</sup>Rakesh Mohan, "Urban Policies and Growth Trends: An Analysis", *Urban India*, Vol. I (1), September, 1981.

principle of territorial dispersal policy, it does not help fullest utilisation of the opportunities offered by industrialisation. That is to say, erratic industrialisation programme is no guarantee of rejuvenation of small/medium towns in India. In a country like India the focus of regional development programmes must be more on agricultural technology like high-yielding seeds, fertilisers, etc., and less on manufacturing. As an urban expert has correctly argued, "removal of agricultural stagnation is the best policy for balanced urban growth".<sup>23</sup>

India's experience during the last eight decades shows that the whole structure of human settlements has continuously moved upwards with the result that the average settlement size has increased over time. The cases of villages graduating to towns status have been relatively small. This has given rise to the mistaken belief that large cities have grown disproportionately than small and medium towns. This simply is not true;<sup>24</sup> nor is it correct to conclude that rural-urban migration has been disproportionately moving toward the larger cities.<sup>25</sup> Once we accept this view and the arguments leading to this type of conclusion become clear, the entire policy premises of the IDSMT programme become questionable.

The small/medium towns derive their existence mainly from agriculture. It has been calculated that on average ten agricultural jobs create about one urban job in small towns. Moreover, large cities have little connexion with their hinterland as industrial growth seems much more related to the national economy than the immediate hinterland. Therefore, the growth of small/medium towns in India is much more likely to be brought about by agricultural growth in the backward regions rather than by industrial dispersal. The logic of industrialisation demands that new industries should be located in the existing large cities which are situated in industrially backward areas or in large new settlements where there are simultaneous growth of a number of new industries. Hence it seems logical to conclude that "there should be a concentration of dispersal rather than dispersal of concentration."<sup>26</sup>

That is to say, development of small and medium towns needs to be integrated with the broader framework of socio-economic setting,

<sup>23</sup>Rakesh Mohan, "The Regional Pattern of Urbanisation and Economic Development in India", Paper presented at the Conference on: 'Recent Population Trends in South Asia', February 2-8, 1983, p. 55.

<sup>24</sup>S.S. Dutta, 'India's Urban Future: Role of Small and Medium Towns', Seminar paper on Town & Country Planning, Institute of Town Planners, India, Gandhinagar 1981, (Mimeographed).

<sup>25</sup>Rakesh Mohan, "India's Urban Future", Paper on 'Small Cities and National Development', organised by the U.N. Centre for Regional Development, January 24-28, 1983, New Delhi, p. 4 (Mimeographed).

<sup>26</sup>Rakesh Mohan, *op. cit.*, p. 5.



regional balance of growth and urbanisation process in general *vis-a-vis* the reality of human migration over the decades.

### CONCLUSION

The conclusion one is inevitably driven to is that the IDSMT programme, as has been conceived and implemented, does not include any strategy which would lead to the achievement of 'integrated' development in terms of sectoral, spatial and financial planning. The 'master plan' bias lurking behind the IDSMT programme has to be forsaken if integrated development of small and medium towns is at all to be achieved and planning of these units of human settlements is to be coordinated with planning for development of metropolitan areas and rural hinterlands. A fundamental shortcoming in the policy conceptualisation of IDSMT is the narrow scope of 'integration' visualised: its approach to urban development is confined to isolated cases of arbitrarily selected small and medium towns. As a senior town planner-cum-administrator, who had been in charge of implementing the IDSMT scheme in a large state, points out:

It is necessary to recognise that urban settlements have to be dealt with as a system comprising large, medium and small settlements with their interlinkages. On the one hand, while the growth of small and medium towns in the rural hinterland serving as service centres, market towns and growth centres will help to sustain the rural economy, these towns have to be interrelated to one another functionally and physically, on the other hand. They will have to be developed in an integrated manner to provide for improved employment prospects, better facilities and satisfactory living environment.<sup>27</sup>

In fine, this policy analysis of the IDSMT programme as done here has one general message: development of small/medium towns need not take place at the cost of the development of large cities and urban agglomerations. 'Integration' has to be achieved in terms of policy issues, environmental needs, sectoral planning and resource mobilisation. Otherwise, neither any small and medium town would derive concrete benefits in the long run, nor would urban development efforts be integrated. Informed and constructive participation of the local people concerned, when developed consciously and systemati-

<sup>27</sup>J.P. Dube, "Integrated Development of Small and Medium Towns: Critical Areas and Issues", Paper presented at the 'National Seminar on IDSMT', IIPA, March 18-19, New Delhi, 1982, p. 3 (Mimeographed).

cally, would go a long way in offering the correct picture of the needs for integrated development of small and medium towns, and this is likely to improve upon the process of project formulation under the IDSMT programme. A relevant policy issue would be to call a halt to the large scale and prolonged supersession of municipalities. Development without democracy would not ultimately help the IDSMT programme, nor would it be a desirable goal to pursue. □

# *An Evaluation of the Urban Land Ceiling Legislation: A Case Study of Ahmedabad*

KIRAN WADHVA

THE CITY of Ahmedabad has grown rapidly during the last two decades. The pressure on land, which this growth has generated has led to almost continuous increase in the price of urban and urbanisable land. The increases in the price of land were not only due to its scarcity but also due to the speculative activity in the market. Speculative activity led to other inefficiencies in land-market such as the non-use of land for long periods and a sprawl type of development around the city.<sup>1</sup> The government tried to regulate the market through various measures like the Vacant Lands in Urban Areas (Prohibition of Alienation) Act, 1972. These regulatory measures, however, were found to be inadequate to achieve the objectives set by the policy makers. It was felt that much more stringent action was required for this purpose. This came in the form of Urban Land (Ceiling and Regulation) Act, 1976. This Act was a revolutionary piece of legislation which aimed at curbing speculation and making land available at reasonable prices, to the users. To quote from the text of the Act:<sup>2</sup>

An Act to provide for the imposition of a ceiling on vacant land in urban agglomerations, for the acquisition of such land in excess of the ceiling limit, to regulate the construction of buildings on such lands and for matters connected therewith, with a view to preventing the concentration of urban land in the hands of a few persons and speculation and profitability therein and with a view to bringing about an equitable distribution of land in urban agglomerations to subserve the common good.

<sup>1</sup>See Kiran Wadhva, *Urban Fringe Land Markets: An Economic Analysis*, Concept Publishing Company, New Delhi, 1982, Ch. 6.

<sup>2</sup>Government of India, Ministry of Law, Justice and Company Affairs, *The Urban Land (Ceiling and Regulation) Act, 1976*, New Delhi, p. 1.

## MAJOR PROVISIONS OF THE ACT

The Urban Land (Ceiling and Regulation) Act (hereafter referred to as ULCER or Act) was enacted by the central government and came into force on 17th February, 1976 simultaneously in eleven states of India. These states included Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Orissa, Punjab, Tripura, Uttar Pradesh and West Bengal. Such an Act was already in force in Tamil Nadu.

For the purpose of the Act, the cities were divided into four categories—A, B, C and D. The ceiling limit on vacant land varied between 500 sq. mt. to 2000 sq. mt. for different category of cities. The ceiling limit prescribed for Ahmedabad agglomeration, which was put in category B, was 1000 sq. mt. A separate department known as the "competent authority" was set up for implementing the Act. The competent authority was vested with all the powers of the civil court.

Under the provisions of the Act, all persons holding vacant land above 1000 sq. meters were to file a statement specifying location, extent, value, etc., of this vacant land before the Competent Authority.<sup>3</sup> Initially, the last date fixed for filing such a statement was August, 1976. This was later extended to April 1977. The land in excess of the ceiling limit was to be acquired by the state government (as per section 10 of the Act).

The compensation for this land was to be fixed on the basis of net average annual income from land, if any, in the five years immediately preceding the date of notification.<sup>4</sup> In case no income was derived from such land, the government could fix a price taking into account various factors like location, price of land in past 20 years and so on. For this purpose, the state government would divide the urban agglomeration into various zones and fix the rate per sq. mt. of vacant land in each zone taking into account the above mentioned factors. The price fixed in case of Ahmedabad varies from 50 paise to Rs. 10 for land in various zones.

The mode of payment of compensation as specified in the Act, was 25 per cent of total compensation or Rs. 25,000, whichever is less, in cash and the rest in negotiable bonds redeemable after the expiry of twenty years.<sup>5</sup> The bonds carried a rate of interest of 5 per cent per annum.

The disposal of land, thus acquired was to be at the discretion of

<sup>3</sup>Urban Land (Ceiling and Regulation) Act, 1976, Section 6.

<sup>4</sup>*Ibid.*, Section 11.

<sup>5</sup>*Ibid.*, Section 14.

the state government.<sup>6</sup> The state could also reserve this land, for public benefit, for some future use.

Lands belonging to central and state governments, local authorities, certain institutions like Life Insurance Corporation, Industrial Finance Corporation, public charitable or religious trusts, cooperative societies, educational institutions and foreign diplomatic missions, etc., were exempted (under Section 19) from the provisions of the Act. Exemptions from the Act were also provided under sections 20, 21 and 22. Section 20 pertained to exemption with respect to hardship cases and cases involving public interest. Under Section 21, the excess vacant land could be exempted if the person holding this vacant land declared his intention of using this land for provision of housing for the weaker sections of the society. The last date for filing such a declaration was initially put at 2 years from the date of notification of the Act and later extended to March, 1979. Under Section 22, a person may be permitted to retain excess vacant land in case it has been turned into vacant land due to demolition of building or property on such land.

The jurisdiction of the Act was not confined to lands in excess of ceiling limit alone but extended to all vacant lands and urban property. Under sections 26 and 27 of the Act, no person could transfer any vacant land or urban property without giving prior notice or getting the written permission of the Competent Authority. In case of sale, the law vested with Competent Authority the first option to purchase land/property at a price either fixed between the Competent Authority and the applicant or calculated in accordance with the provisions of the Land Acquisition Act, 1894 or of any other corresponding law in force.

With the objective of curbing luxurious construction the Act laid down the maximum plinth area permissible at 300 sq. mt. for urban agglomeration belonging to categories A and B and 500 sq. mt. for those in categories C and D.

The Act, as formulated by the government, apparently was intended to fulfil the objectives it had set for itself. Seven years after the Act came into force, there is near unanimity among people concerned that it has been an unmitigated failure. The relative non-availability of land is one indicator of this failure. The other is a rapidly rising price graph of urban land and virtual exclusion of weaker sections and middle class fixed income groups from the market for land and housing.

In the period 1976-81, the price of land in the city area had increased at the rate of 18.4 per cent per annum (see Table 1). The price rise, as can be further seen from Table 1, was even sharper in

<sup>6</sup>*The Urban Land (Ceiling and Regulation) Act 1976, Section 23.*

the fringe areas showing an annual increase ranging between 30 to 50 per cent during the post Act period (*i.e.*, 1976-81). During the five years prior to the passing of the Act, (*viz.*, 1970-75) the relevant price increase had been much lower in almost all the locations in the city and peripheral areas. Again, within one year of passing of the Act the number of transactions registered in Ahmedabad taluka declined by 50 per cent.<sup>7</sup> The land market which had been humming with activity and had shown an annual rate of growth of 8.2 per cent per annum over the period 1970-75, froze into inaction in 1976. The activity increased somewhat in later years but the number of transactions in no year came upto the level that was achieved in 1975. In five years following the Act (1976-81), the total number of transactions declined by 25.46 per cent as compared to that in five years preceding the Act (1970-75). The decrease in the activity in the land market is all the more significant since it happened during a period when population of the city (and presumably economic activity) had continued to increase. One would have expected the activity in land market to reflect this growth by registering an increase rather than a decline in transactions in urban land.

TABLE I COMPOUND RATE OF GROWTH OF URBAN LAND PRICES IN SELECTED LOCATIONS OF AHMEDABAD AGGLOMERATION BEFORE AND AFTER THE ENACTMENT OF URBAN LAND CEILING ACT

Location	City Area	(in per cent per annum)				
		Suburbs			Periphery	
		Ashram Road	Navrangpura	Maninagar	Jodhpur	Thaltej
Period						
1970-75	16.00	19.5	14.9	16.3	20.0	14.9
1976-81	18.4	30.7	50.1	38.0	46.5	44.0

SOURCE: Calculated from data provided by the Gujarat Institute of Housing and Estate Developers, Ahmedabad.

#### FAILURE OF THE ACT: A DIAGNOSTIC ANALYSIS

Why should the ULCER, an Act which was enacted with good intentions, has failed so miserably? The fault lies partly in the formulation and partly in the implementation of the Act.

<sup>7</sup>We do not have data on number of transactions registered in Ahmedabad urban agglomeration. The area comprising Ahmedabad Taluka incorporates major segment of the agglomeration and one can safely conclude, from the data that the major part of decline, in transactions in the Taluka can be attributed to decline in the land transactions in the agglomeration.

TABLE 2 COMPOUND RATE OF GROWTH OF PRICES OF SOME ALTERNATIVE ASSETS

Peri. d	Asset	Gold	Silver	Shares	General Price Level	Land Prices in Selected Locations of Ahmedabad					
						City Area	Ashram Road	Navrang-pura	Mani-nagar	Jodhpur	Thaltej
1960-61—1980-81		14.35	14.1	—	8.1	—	22.5	19.5	23.2	35	33.0
1960-61—1970-71		5.45	11.75	—	6.2	—	5.0	2.35	7.27	36.0	30.0
1970-71—1980-81		24.00	16.55	4.8	9.9	5.2	11.78	15.00	8.75	11.11	10.0
1960-61—1965-66		—7.4	10.1	—	6.35	—	5.8	3.4	14.9	60.0	43.5
1965-66—1970-71		20.35	13.2	—	6.1	—	30.0	14.9	29.5	29.0	38.0
1970-71—1975-76		22.5	14.3	—0.5	11.6	16.0	19.5	14.9	16.3	20.0	14.9
1975-76—1980-81		25.6	18.8	10.4	8.3	19.9	37.0	50.0	33.0	35.0	38.0

NOTE: The rates of growth of prices of gold, silver and shares are calculated over the financial year and the rate of land over the calendar year.

SOURCE: Calculated from data available in the *Reserve Bank of India Bulletin* (various issues) and (for land prices) from the Institute of Housing and Estate Developers, Ahmedabad.

The formulation of the Act seemed to reflect a singular ignorance of the working of the land market. The Act drastically reduced the supply of land in the market by imposing a ban on transactions in land exceeding 1000 sq. mts. and putting a restriction on transaction of land below this size.<sup>7</sup> Land market generally is a very sluggish market and imposition of such restriction made it even more so.

During this (post-Act) period, when the supply of land had contracted, the demand had continued to increase. The demand was not only from genuine consumers who wanted to purchase land for some use but also from investors who considered land as a good investment and a hedge against inflation. This had been amply demonstrated by the record of land prices in the past 20 years. Table 2 gives the rate of growth of prices of urban land in selected locations of Ahmedabad for the period 1961-81 and for various sub-periods. As can be seen from Table 1, the land prices in all the selected locations have recorded an average annual rate of growth of around or above 20 per cent per annum for the entire period under consideration. This rate of increase has not been matched by any other asset—be it gold, silver or shares. Over the period 1960-61 to 1980-81 gold prices increased at the rate of 14.35 per cent per annum and silver prices at 14.1 per cent per annum—a remarkable performance but not as dazzling as that of land. We do not have full series on share prices for the 20 year period. The computed rate of growth over the 10 year period (1970-71—1980-81), however, shows a much lower rate of return on shares as compared to either gold or silver or land.<sup>8</sup> The increase in land prices was also much higher than that of general price level as also interest paid by commercial banks on long term deposits. This interest during the period 1960-80 has varied between 6-12 per cent per annum.

It is not only as a long term investment that land scores over other investment goods but quite often, even in short and medium term, it shows a higher rate of return than others. This can be seen from Table 2. Over the period 1960-80, the rate of growth of land prices in all the locations is higher than that of any other assets. This is not true of all the sub-periods. However, in all the sub-periods, there have always been some locations where the returns from investment in land have been much higher than those in any other asset. Thus, a discriminating investor, by choosing the right location, could always make

<sup>7</sup>The rate of return, in this analysis, is taken to imply the return accruing to the investor through sale of an asset and will be a function of purchase price and sale price. Whereas that may be true of gold and silver and to quite some extent of vacant land also, it is not true of shares. Returns during the holding period of the former are nil, whereas shares get a return during that period also.



more money by investing in land than in any other asset—whatever his time horizon may be.

The rate of growth of land prices has been much sharper in the period 1975-80 compared to earlier periods. The accelerated rate of growth of prices, which has at least partly been due to ULCER, brought home the fact of land as an investment good to the masses—creating further demand for land and leading to another spurt in prices.

Past increases in land prices fired not only the imagination of speculators and investors but also of other users of land. Anticipating the price rise to continue and supply of land to worsen, consumers often preponed the purchase of land. The psychology of scarcity imbedded in the consumer's mind was created by ULCER but was accentuated by the behaviour of speculator-developer. This was done through spurious booking and relaying to the consumer the message that no land was available as such but could be made available if the consumer was willing to pay a premium on the advertised price. The consumer, normally, was willing to do so.

The demand for land in Ahmedabad was not only from the local resident but also from 'outsiders'. Gujarat, since its inception in 1961, has continued to be a relatively more stable and peaceful state, compared to other industrialised states. Further, Ahmedabad, with a well developed infrastructure provides a very good alternative location for many industries located in other parts of the country, viz., Bombay and Calcutta. The relatively lower price of land in Ahmedabad, compared to many other cities has been another significant factor in this respect.

Thus, the increasing demand for land from 'residents' and 'non-residents' for different uses—industrial, residential and others—competing for an extremely limited supply of land inevitably led to continuous and sharp increases in the price of land.

The stringent position on the supply side, however, was not a direct consequence of the imposition of the ULCER. Under the provisions of the Act, the government was to acquire all excess land and make it available to people at reasonable prices. Further, as noted above, exemptions from the ban were to be granted under sections 20, 21 and 22. The government, however, was not adequately prepared either financially or administratively to deal with the aftermath of the Act. The state government probably could not have bought all (or even a major part) of the excess land in the state which later on was to be released in the market. It was only through such participation in the land market that government could have eased the situation on the supply side and made some impact on the price of land. The amount of excess land acquired by the Competent Authority in Ahmedabad, during the period 1976-82, amounted to 21.9 hectares (0.3 per cent of

total estimated excess land and 0.12 per cent of total land falling in ULCER master plan)—hardly an amount to create waves in the market.

Not only has the government not participated in the market in a big way by itself but by its style of intervention, it has also slowed down the activity of the private operators in the market. Even though the Competent Authority has been in existence since the inception of the Act, it did not clear a single application for exemption till 1979. Table 3 gives information relating to applications received/created, etc., under sections 20 and 21. During the period 1976-79 (1979 being the last date for submitting application for exemption), 962 applications were received by the Competent Authority for exemption under section 20 and 1,831 under section 21. By the end of 1979, only 204 and 215 applications had been cleared, under sections 20 and 21 respectively.<sup>9</sup> By the end of 1982, however, 95.84 per cent of the applications had been

TABLE 3 STATUS OF APPLICATIONS FOR EXEMPTION UNDER SECTIONS 20 AND 21 OF URBAN LAND CEILING ACT

	<i>No. of Appli- cations Received</i>	<i>No. of Appli- cations Cleared</i>	<i>No. of exemp- tions Granted</i>
<i>Section 20</i>			
1977	962	—	—
1978		—	—
1979		204	46
1980		211	125
1981		214	205
1982		293	49
<i>Section 21</i>			
1977	1831	—	—
1978		—	—
1979		215	92
1980		348	285
1981		24	8
1982		107	59

SOURCE: Competent Authority Ahmedabad.

<sup>9</sup>We realise that besides the number of applications cleared and exemptions granted, the area involved is also important. Despite repeated efforts, however, we could not get data on area from the Competent Authority.

cleared and 44.18 per cent had been granted exemption under section 20. The performance under section 21 was not so good. By the end of 1982, only 37.9 per cent of applications had been cleared and a mere 24.25 per cent granted exemption under this section.

One of the major objectives of ULCER was to make land available, at reasonable price to weaker sections of society. Exemptions under section 21 were permitted directly with this objective in mind. This provision, however, has not succeeded in significantly augmenting the supply of housing for these sections. Procedural delays in clearing the applications and sanctioning the schemes are only partly responsible for this fact. The other part is to be explained in terms of a major lacunae in the Act itself. This relates to the definition of housing for the weaker sections. This is defined in the Act only in terms of plinth area not exceeding 80 sq. mts. During the period when the competent Authority was taking its time in clearing the applications and sanctioning the schemes, the costs of construction (and of land) had continued to increase—so much so that no member belonging to weaker sections could afford a house built on a plinth area of even 40 sq. mts. At present prices, such a house would cost anywhere between Rs. 40,000 to Rs. 50,000 depending upon the type of construction, etc. Similarly, houses with 80 sq. mts. plinth area would cost around Rs. 1 lakh. Which person belonging to weaker section can afford such houses? In fact, not many belonging to middle income groups can afford them either. These houses are mainly taken up by people of the upper and flexible income groups. These people also circumvent the minimum space restriction set by the Act by buying two (or more) adjacent houses and constructing a communicating door between the houses. Thus, the small plots intended for weaker sections have mostly found their way to persons belonging to the higher income groups.

Even if the government had set some ceiling on the price of such houses, the situation, in a real sense, could not have been much different.<sup>10</sup> This is due to the existence of black money in the land market. If the price had been set at a level lower than what the market can bear, the black money margin would have proportionately increased to cover the differential (between market price and official price). In fact, since the imposition of ULCER, increasing proportion of land value in Ahmedabad is being paid in black money. According to reliable sources this proportion has increased from 40 per cent in the

<sup>10</sup>According to our information obtained from a reputed practising developer in Ahmedabad, the local authority, after scrutinising the scheme, does fix up the price of land and construction of such houses. In reality, however, the price which the buyer pays is seldom in accordance with the fixed price. Nor is the fixed price low enough to be affordable by low income groups.

pre-Act period to above 60 per cent in the post-Act period in Ahmedabad.

Part of this increase in black money proportion goes to inflating the profit margin of the developer and the rest in meeting the increased costs of developing the land. Those costs now include, apart from the physical costs of developing, the costs of getting NA (non-agricultural permission), NOC (No objection certificate) and such others. Due to ULCER, the task of getting a clear title to land and/or acquiring a property in the market has become increasingly difficult for an ordinary consumer (of land). The consumer who perhaps enters the market once in his lifetime cannot handle the vast multitude of bureaucratic procedures required in the process of buying land/house. The need for specialised skills for getting exemptions/permissions/sanctions etc., has given birth to a new class of entrepreneurs who for a price, get 'things done'. The price includes not only the price for services rendered but also the cost—'corruption cost' or 'speed money' for getting the various permissions. At times these functions are performed by the developer himself or his agent.

This phenomenon, on the one hand, has led to increase in corruption in the land market and (to some extent) resulted in making the Act superfluous and on the other hand has contributed to acceleration in the rate of growth of land prices.

Another way in which the speculator-developer has bypassed the Act is by moving out to areas beyond the agglomeration limits, *i.e.*, to areas where the Act is inoperative. In these areas the major problem which the consumer faces is that of getting NA permission for converting his land from agricultural to non-agricultural use. The developer normally promises to get this done but in fact later on may not either be willing or able to do so. The consumer gets cheated out of his money and the city's landscape, in this process becomes even more unaesthetic and presents a sprawl pattern of development. The speculator-developer, whose activities the Act intended to regulate, not only goes scot-free but also makes more and more money out of the regulated market. In fact the only class of people, whom ULCER has benefited is the speculator-developer. This class has profited immensely from the unprecedented rise in land prices in the post-ULCER period.

The land market activity, despite ULCER, had not come to a standstill though it did decline within urban agglomeration. Apart from the evidence of number of registered transactions in the area, the advertisements in local Gujarati newspapers are very good indicators of this activity. During the period November 29, 1982 to December 21, 1982, advertisements for 42 cooperative housing societies appeared in the local newspapers. These advertisements related to locations both

within and outside the urban agglomeration limits. Mostly the developer seldom has to advertise again. This belies the developer's constant complaint of virtual freezing of land market due to ULCER.

#### CONCLUDING REMARKS

It is unfortunate but true that ULCER has not only been a failure in the sense that the objectives set by the policy makers could not be achieved but also (and worse) that the result has been just the opposite of what was envisaged. The Act was intended to curb speculation and price rise in land. Both have touched new heights in the post-Act era. The weaker sections are worse off rather than better-off in the post-Act period than they were earlier. Some of the side effects of the operation of the Act—emergence and/or strengthening of the position of intermediaries in the market, increased corruption and sprawl—have resulted in further deterioration in the situation.

Government of Gujarat has been making policy announcements from time to time showing its awareness of the problems associated with the implementation of the ULCER. These announcements are yet to be converted into effective action programmes. Following each pronouncement, the developers make a presentation and after some 'consideration' the programmes are generally postponed (or put into cold storage) or are sent in for reappraisal.

It is evident that there is an urgent need for a thorough reappraisal of the ULCER itself, keeping the realities of land market in mind. Solutions to the ills of working of the urban land markets may be found either within the framework of ULCER or without it. Some developers have suggested a dual price policy and a penal taxation on vacant land as alternative measures to ULCER. Whatever policy instruments are adopted, the impact of these on various sections of the society should be carefully examined. The case study of working of the ULCER in Ahmedabad has illustrated the scant respect which people have for legal processes. The same is likely to be true in other cities of the country also. Any realistic assessment of the policies relating to urban land market should explicitly take into account factors like existence of black market economy and corruption. □

## Book Reviews

*Urban Policy Under Capitalism*, NORMAN I. FAINSTEIN AND SUSAN S. FAINSTEIN (Eds.), London/New Delhi: Sage Publications, 1982, pp. 303, \$ 12.50 (paper back).

This edited volume titled *Urban Policy Under Capitalism* contains thirteen essays written by a group of scholars who have made specialised studies of the urban phenomenon under capitalism. The authors belong to the relatively new scholarly tradition of urban political economy. They have broken with the intellectual traditions of both orthodox Marxism and the earlier liberal urban analysis. The common thematic link between the essays collected here is that the roots of urban development in capitalist societies can be found in the capitalist mode of production and whatever indeterminacy is there, it is the consequence of the mediating nature of culture, historic compromises, and specific on-going struggles in society. The nature of the struggles varies between and within different societies. In the United States conflicts take place between downtown and neighbourhoods, landlord and tenant; and within neighbourhoods between cultural, ethnic, and income groups. In European countries, where the public authorities play a much greater role in housing and land markets, conflicts are very common in squatters' movements; and conflict is intense indeed between the parties of the right and of the left for capturing the apparatus of the local state, between upper classes and working classes for possession over urban land and acceptance of cultural and social demands of organised groups. Being dependent on international capitalism, the less developed countries basically following the capitalist path of development experience a relation between state and class different from that in developed capitalist societies but nevertheless, these countries display similar conflicts over rights on land and demands for investment. The authors have refrained from prescribing any particularly definite policy in urban development as they seem to believe that the search for an 'optimal' policy would be both fruitless and ideologically mystifying. Their main objective has been to study urban policy in the context of state action in class, group, and geographical domination and conflict.

The essays have been grouped into four broad categories: (i) national policy and urban development in Europe and the United States; (ii) regional and urban development in less developed countries;

(iii) capital accumulation and political conflict at the level of the 'local state', and (iv) culture, class and consciousness of urban social movements. Each one of these broad aspects of the urban phenomenon constitutes an intrinsically interesting and intellectually challenging theme to be grappled with.

As capitalism has developed since World War II, the national state in both developed and developing parts of the world has assumed increasing importance in directing capital investment and providing for social welfare. The study of the key function played by urban space in structuring capital accumulation and determining the quality of urban life has led to some general issues within the framework of urban analysis. Subnational government like state government, local authority, regional planning and development authority, either as agents of the national state or as allocator of borrowed capital, has been playing a crucial role in supporting and shaping further growth of capitalism. Social expenditures on transportation, housing, commercial and industrial development, urban renewal including slums improvement and increased provisions for health care and education have given a definite shape to urban life in both the First and Third World countries. State intervention in the use and planning of urban land and urban infrastructural development has become critical to capital directly, because increasing proportions of capital investment flow into real estate, and, equally important, because capitalist production depends on transportation technology and other factors of external economies. Urban conditions affect the flow of investment within and among cities, with important consequences for profitability of various economic sectors.

Conflict is inevitable between two purposes for which urban land is used under capitalist system first, urban land as a vehicle of capital accumulation, and secondly, urban land as residential location of the mass of the people. This inherent conflict expresses itself through volatile urban protests and, on occasions, compels the capitalist state and economy to divert from accumulation objectives. Fiscal crises arise because of compelling demands for using economic surplus for both infrastructural investment and social welfare programmes. Because of inflation, and with economic stagnation, rising unemployment, the fiscal crisis rapidly develops into a general economic crisis confronting modern capitalism which is increasingly becoming a collective endeavour with simultaneous international impact. Demands for restricting the role of the state in social reproduction have become strong in the 1970s in the countries of the First World; being tied to the needs of international capitalism, the policy-makers of the Third World countries have also started debating over the desirable extent of state intervention in the socio-economic life of the people. The

authors of this volume under review agree that a new stage of urban development is discernible, which is shaped by general world-wide political and economic tendencies. Without a thorough grasp over the macro-political economy, the urban phenomenon in developed as well as developing countries cannot be understood.

Through infrastructural investment and public services, the state provides social capital. The capitalist class expects the state to mitigate urban problems which are consequences of their own activities, but they want solutions of urban problems in such ways as would not impede the accumulation process. But public policy in a liberal democracy cannot be wholesale dictated by this class, precisely because of two factors: first, the political power in the form of votes held by the working-class, and, secondly, division or contradiction within the capitalist class insofar as capitalists have no collective interest in a particular pattern of urban development. But what capitalists as a class prefer is to win battles over the definition of the social relations of production in the continuing struggle between profits and wages, between capital and labour over shares of surplus value. In influencing the 'urban' dimension of public policy, capitalists move as a class through their own organisations, political parties and/or segments of the governmental apparatus. Not only the sectoral and geographical cleavages existing between capitalists, but the degree of their access to the governing regime also determine the nature of urban policy under capitalism. The way a regime responds to urban problems like urban social movements, protests, and disorder depends on the balance of class forces they incorporate.

'Urban policy' has been defined here as 'state activity which affects urbanism', and 'urbanism' has been defined as 'the distribution of investment and consumption activities in real space, the character and form of the built environment, and the distribution of population groupings in relation to both'. To quote the editors, "urban policy is state activity affecting the use of space and the built environment relative to the distribution of consumption opportunities" (p.16). In practical terms, national economic policy and social policy, because of their impact on urban development, are as much urban policy as land-use controls or urban re-development. In analysing the US urban policy of the 1980s, Tomaskovic-Devey and Miller have accepted this definition of urban policy. The same is valid for Gough's analysis of the crisis of the British welfare state, and Marcuse's analysis of the housing policies in West Germany and the United States. Understood in this broad sense, urban policy under capitalism is a product of the functional needs of the economy and organisation of capitalist interests, on the one hand, and political leadership and class conflicts, on the other.



The common characteristic of the essays collected in this volume is their political economy approach which is fundamentally based on a rejection of disciplinary boundaries and isolated levels of analysis. The result has been that the authors have sought the roots of 'urban policy' in large political and economic tendencies, and analysed specific cases as concrete manifestations of these tendencies. Because of this logic, some of the analyses have been made on comparative line, e.g. "Social Services under Reagan and Thatcher" (Paul Adams and Gary Freeman), "Determinants of State Housing Policies: West Germany and the United States" (Peter Marcuse), and "Governmental Responses to Popular Movements: France and the United States" (Sophie N. Gendrot). The authors have also attempted to formulate theoretical propositions inductively from empirical evidence rather than by way of deductive analysis. This attempt of understanding urban policy is in refreshing contrast to Perry Anderson's building of critical theory by philosophical method. And although refraining from prescribing any definite course of action, the authors have preferred to use knowledge as a basis of action.

In analysing the nature of urban and regional development in the Third World countries, Walton accepts the point that world economy influences peripheral urbanisation but criticises the dependency theory for its overdeterminism. To him, national social structure and culture play significant role in differentiating outcomes among nations. Similarly, in El-Shakhs's essay the point is rightly made that in large, heterogeneous and densely-populated countries, which follow market and mixed economy systems, national integration can be achieved only when balanced development takes place at both interregional and intraregional levels. All local initiatives for spatial planning and urban development need to be coupled with counter-initiative at the national level for narrowing the inequities resulting from urbanisation. Curious though it may sound, policy shift in favour of the underprivileged and economically weaker sections has initially been recommended by the World Bank and not the planners of urban development strategies of the developing countries, including India.

The volume contains two essays on the response made by city governments in the United States to economic change and political pressure: one by the editors themselves and the other by Rich. They have drawn attention to the need for relating spatial development and service delivery system to the broad context of economic power and political influence. Basically, the questions to be answered are: Who benefits from urban development and who pays for it? No satisfactory answer is possible without following the political economy approach to urban policy analysis.

The last section containing four essays seeks to analyse urban

social movements in developed western societies of Europe and the United States and trace their impact on governmental intervention. These essays place greater stress on such non-economic variables as race, culture and social values than on economic variables like class. The arguments in this section are interesting but not as much convincing as those used in the previous sections. Far more in-depth analysis would be required to establish that non-economic factors do play any role independent of the economic factors.

This volume is a collection of essays containing stimulating thought and refreshing approach to the understanding of state activities affecting the use of urban space and built environment. Studies like this bunch of essays would give a fillip to the serious pursuit of the urban theme in the context of functioning of modern capitalism.

—ASOK MUKHOPADHYAY

*Economics of Urban Local Public Sector*, S. RAMA RAO AND M. NAGESHWARA RAO, Bombay, Himalaya Publishing House, 1983, pp. 143, Rs. 45.00.

The book under review is an attempt at understanding the problems of the urban local public sector with special reference to Karnataka. It starts off with an introduction explaining the importance of an indepth study on economics of urban local public sector and the context in which the study has been undertaken. Rest of the book has been divided into six chapters. The first chapter deals with the growth of urban local bodies, and their functional responsibilities. The second chapter attempts to highlight the resource constraints and problems of resource mobilisation in the Indian cities and suggests that a careful mobilisation would enable the cities to achieve an improved allocation efficiency. In the third chapter, efforts have been made to understand the problem in a proper perspective. The shortcomings arising out of inadequate and inaccurate plan decisions, the dimensions of migration and slum problems and the consequent disturbance of the ecological balance have been analysed in this chapter. Chapter four deals with the system of public goods and services produced and delivered by the urban local public sector. The fifth chapter examines the factors influencing the inter-and intra-urban local public services. Finally, chapter six gives an overview of the main findings and makes a few precautionary suggestions to cure the already deeprooted urban ills.

The findings of the study are thought provoking. In a sample of 33 cities selected for examination (1970-71), Ahmedabad had the highest per capita revenue and Bhagalpur the lowest. Amrawati had the highest

per capita expenditure on health and conservancy and Alleppy had the lowest. Vijayawada incurred the highest per capita expenditure on education while Srinagar and Alleppy had incurred the lowest. The authors point out that the per capita outlays on public services in Karnataka are insufficient, and the magnitude of expenditure is directly proportional to the level of resource mobilisation. Should this phenomenon surprise anyone particularly when the expenditures of local bodies (or even the state governments) depend upon their resources? Another point the authors emphasise is that capital requirements had not been properly evaluated by local bodies and conceded at the same time that the local bodies were helpless due to lack of adequate internal resources and lack of sufficient availability of loans and/or capital grants. To remedy this problem, they suggest the selection of a few functional areas such as water supply, drainage, roads and public health and finance them adequately in the form of loans/or capital grants. There exists a dichotomy in what the authors observe and what they suggest. To what extent their suggestion is sound can be seen from the past experience. The experience in Karnataka is that many of the local bodies, apart from not being able to repay the loans borrowed by them, are not able to pay the interest even on the loans borrowed. Cannot we think of some measure by which local bodies are able to pay the interest at least? I wish the authors should have touched on this aspect.

The authors have made one more point—a very pertinent one—that “despite various factors there is a disequilibrium between the demand for and supply of urban public goods. The paradox is that the demand emanates from those who have not borne at least a part of the cost of the inputs and this has increased the proportions of the urban crises. It has, moreover, brought down the quantity and quality of urban services for consumers to the detriment of welfare maximisation”. They have tried to examine the factors behind such a situation but could not go farther. Instead they have tried to explain the variations in the production of urban public goods among the same size class of towns, through regression approach. They do not explain the reasons for the deteriorating level of urban services in certain towns. That is the limitation of the study. However, the methodology evolved by them may serve as a useful guide for other studies. One may not agree fully with their choice of independent variables, but one cannot disagree much with their approach either. A continuous endeavour is necessary to identify the factors responsible for differences in the service levels of local bodies.

The authors seem to have struck a right note when they said that “the service system as well as the output of goods and services in actual physical terms must necessarily attain at least the prescribed

standards before the inflationary trends go beyond the control of local governments".

The book indeed is a welcome addition to the literature on urban local public sector. It is interesting and informative. The authors must be congratulated for their devotion to a neglected part of public sector economics.

—K. N. REDDY

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Joint Editor  
ABHIJIT DATTA  
Assistant Editor  
GANGADHAR JHA

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*Abhijit Datta*

# *Our Contributors*

## **Articles**

SHRI V.P. BHARADWAJ is Reader in Economics, University School of Social Sciences, Gujarat University, Ahmedabad.

SHRI K. V. CHITHARANJAN is Research Scholar, Sardar Patel Institute of Economic and Social Research, Ahmedabad.

PROF. ABHIJIT DATTA is Professor of Urban Administration and Development and Municipal Finance, Indian Institute of Public Administration, New Delhi.

SHRI L. R. MEHTA is U.G.C. Teacher-Fellow at the University School of Social Sciences, Gujarat University, Ahmedabad.

SHRI M. K. MOITRA is Director in the Union Ministry of Works and Housing, New Delhi.

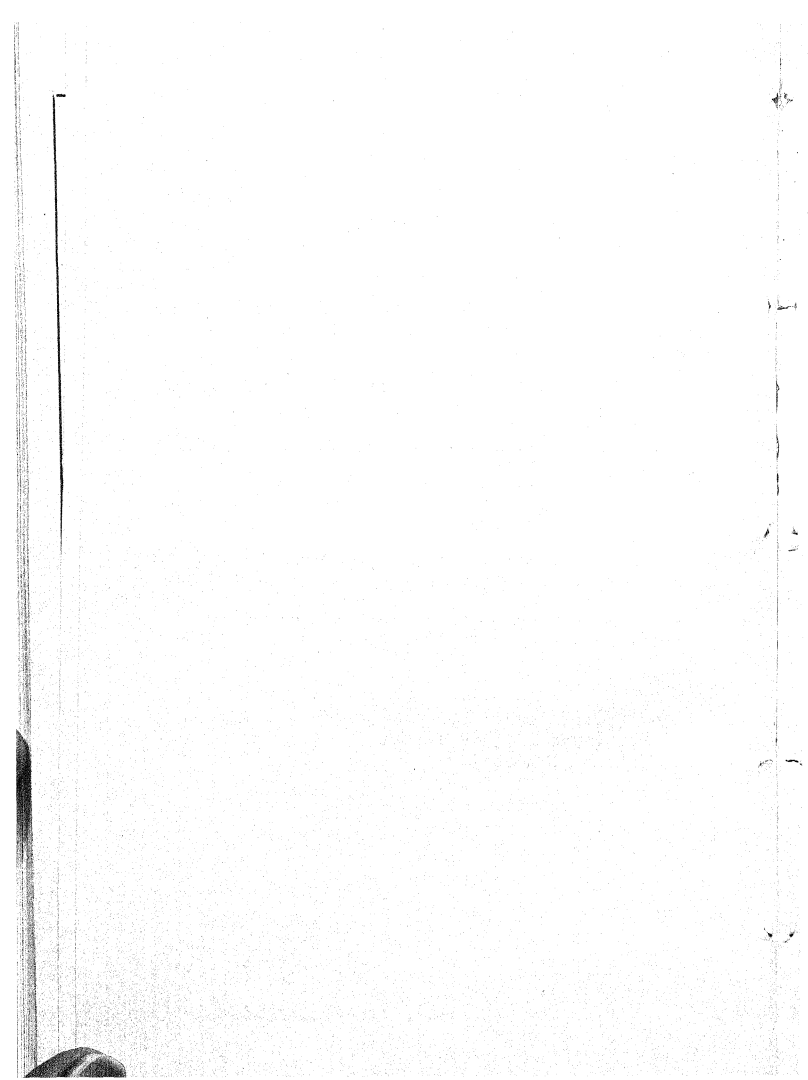
PROF. ASOK MUKHOPADHYAY is Professor of Urban Studies, Indian Institute of Public Administration, New Delhi.

DR. K. R. PICHHOLIYA is in the faculty of the Centre for Management in Agriculture, Indian Institute of Management, Ahmedabad.

DR. G. THIMMAIAH is Professor of Economics at the Institute for Social and Economic Change, Bangalore.

## **Book Reviews**

PROF. ABHIJIT DATTA is Professor of Urban Administration and Development and Municipal Finance, Indian Institute of Public Administration, New Delhi.



## *Status of Municipal Government\**

ASOK MUKHOPADHYAY

**M**UNICIPAL GOVERNMENT in modern India is now more than one hundred years old. The beginning was made in the mid-nineteenth century in the three presidency towns of Calcutta, Bombay and Madras. After the Mutiny (1857) municipal governments were set up in other towns primarily as an administrative measure to give relief to the imperial finance and secure better sanitary conditions in urban areas so that the troops did not suffer from ill health and diseases. Since those days in 1860s municipal government had undergone various changes in terms of powers, functions and competence, but it has not yet been given a sufficiently strong base of its own in the scheme of governance of the country. The status enjoyed by the municipal bodies in India today is definitely weak in many respects and deserves a close scrutiny in view of the increasing pace of urbanisation and the potential role of the municipal bodies in grappling with the growing problems of the urban areas.

### HISTORICAL LEGACY

Municipal bodies in India were designed by the British as the basic institutions for associating the Indians with the administration of the country in order to lend stability to the British rule. Lord Mayo's Resolution of 1870 encouraged the introduction of elected presidents of municipalities with this end in view. The objective was changed to political education of the Indians in the art of governance at the lowest level of administration when Lord Ripon's Resolution of 1882 was adopted. This resolution wanted the government officials to "foster sedulously the small beginnings of the independent political life" and to exercise "administrative tact and directive energy" so that the period of expected failures of the local self-government institutions could be shortened. The Indians were to be entrusted in "all matters

\*Revised version of the paper submitted at the IIPA seminar on : "Status of Municipal Government in India Today", July 29-30, 1983.



that have not, for imperial reasons, to be retained in the hands of the representatives of Government".<sup>1</sup>

The intention of the Ripon Resolution failed in practice. As the Simon Commission observed, "...the custom of the country, force of habit, apathy, and lack of desire to assume responsibilities among those elected—together with the natural reluctance of an overworked official, desirous of efficiency, to consume much time in getting things done badly which he felt he could himself do well—combined to prevent real and substantial progress being made in political and popular education in the art of self-government."<sup>2</sup> Prior to the reforms introduced by the Government of India Act, 1919 there was nothing like the British-type system of decentralised municipal bodies with their own powers of self-government. Whatever municipal government could be found at that time was an example of the French-type deconcentrated local administration. In that system municipal government was just one of the many activities of the district officer who was the official chairman of the municipalities in the district.

Lord Chelmsford's Resolution of 1918 formulated certain basic principles calculated to establish wherever possible complete popular control over all local bodies, including the municipalities and municipal corporations. The Montagu-Chelmsford Report, on which the Act of 1919 was based, recommended transfer of local government to the hands of the popular and responsible minister under the dyarchy scheme and *inter alia* provided for elected chairmen of municipalities. Under the Act of 1919, the provincial government held the ultimate power of superseding, suspending or abolishing a municipal council; it could modify the municipal budget and intervene in the administration of a council by way of preventing or initiating action in matters affecting human life, health, safety or public tranquility.

Municipal government in India generally failed because of certain difficulties which have been succinctly mentioned in the Simon Commission's Report. The principles and practices of British local government were not fully comprehended in India. The distinction between the sphere of action of the elected representatives and of the officer of a local authority was not maintained in India. In one district, at least, the Simon Commission found that "the actual supervision of the repairs of a road was parcelled out among the individual members of the board as if they were old English Waywardens".<sup>3</sup> In the municipal government in India, which practically had no competent officials of its own, could be found a general tendency on the part of elected

<sup>1</sup>Resolution of 18 May, 1882 quoted in *Report of Indian Statutory Commission* (Simon Commission), Vol. I, Cmd. 3568, London, HMSO, 1930, pp. 299-300.

<sup>2</sup>*Report*, p. 301.

<sup>3</sup>*Ibid.*, p. 309.

persons to meddle and interfere in details of administration. Then, again, the municipal bodies suffered from a mistaken notion of freedom from government control. The provincial government used to do nothing by way of helping or warning the municipal bodies, but the ministers were endowed with the powers of suspension and dissolution of municipal bodies: the government was powerless in the face of misconduct calling for less drastic treatment. This led the Simon Commission to observe: "where spur and rain were needed, the ministers were only given a pole-axe".<sup>4</sup> However the popular ministers were sometimes afraid to make use of their powers through fear of political consequences.

There were other difficulties faced by the municipal bodies. Deterioration of management could be noticed in large arrears in tax-collection and embezzlement of municipal funds by the municipal employees. Secondly, the grants-in-aid for the municipalities were not used in India, unlike in Britain, for stimulating the development of particular services; the unconditional grants depended on the discretion of the government and were not made, as in Britain, conditional on the imposition of adequate taxation and acceptance of certain government control by the municipal authorities. Thirdly, powers were abused by the municipal bodies which exhibited a tendency to jobbery and reluctance in disciplining their employees. Last of all, communal and caste dissensions among the elected councillors impaired the efficiency of municipal government.

This state of affairs continued to mark municipal government till independence and even after that. During the struggles for the country's freedom the municipal councils were mostly used as platforms for nationalist agitations. The leaders of the freedom movement like Pherozeshah Mehta, C. R. Das, Jawaharlal Nehru, Vallabhbhai Patel, Subhashchandra Bose, Rajendra Prasad and others had all won their spurs in municipal bodies. But the Constitution of free India has no place for municipal government as such, local-government, rural as well as urban, has been mentioned as an item for legislation by the state government.<sup>5</sup>

#### CURRENT POSITION

Legally speaking, therefore, municipal government, like rural government, is the creature of the state legislature. There is nothing hard and fast about the area, powers and functions, financial resources, and autonomy of municipal government in India today. All

<sup>4</sup>Report, p. 311.

<sup>5</sup>The Constitution of India, Seventh Schedule, List II, entry No. 5. ✓

these depend upon the concerned state legislation and, therefore, vary from state to state.

#### *Area and Functions*

Municipalities are usually established in a particular area of human settlement when it is urbanised and fulfils certain conditions such as: (i) some minimum population and income, and (ii) predominance of non-agricultural employment pattern. A municipality may be upgraded into a municipal corporation enjoying somewhat more freedom of action and higher income than a municipality. But there is nothing automatic in a municipality's graduation into a municipal corporation; it is entirely a matter to be decided by the state government.

So far as size or area of municipal government is concerned, it is usually sought to be related to the type of functions it would perform in an urbanised area. That is to say, the administrative capability, technological efficacy as well as financial viability of the municipal body are to be taken into consideration while delimiting its boundaries and assigning functional responsibility to it. But India's experience so far suggests that the area or size of a municipality/municipal corporation hardly changes in response to the growing tempo of urbanisation. The vast majority of municipal towns have miniscule areas which have in many cases remained unchanged in spite of urban growth having taken place beyond their boundaries. The overspill or fringe areas of a municipal authority continue to grow in an unplanned and haphazard manner, and assume the dimension of a typical urban problem. Sometimes small pockets of urban areas are found to be zealously guarding their separate existence against all norms of municipalisation and all logic of administrative consolidation of contiguous urbanised areas.

In regard to the powers and functions of municipal government, again, there is nothing as 'inherent' municipal functions. If one has to generalise, one can group the functions usually given to municipal government in India into five broad categories, viz.

- (i) *Public health functions* : water supply, drainage and sewerage, conservancy or garbage removal, in oculation and immunisation against contagious diseases, checking adulteration of food stuffs, managing slaughter houses, etc.
- (ii) *Welfare functions* : creating and maintaining community facilities like maternity centres, elementary schools, parks and gardens, fountains, swimming pools, markets, public conveniences, street lighting, etc.
- (iii) *Regulatory functions* : laying down and enforcing building rules, road alignment and road-building, controlling noxious

trades and nuisance industries, regulating markets and slaughter houses, checking weights and measures, regulating advertisements and hoardings, pulling down unauthorised structures, etc.

- (iv) *Public safety measures* : fire fighting, demolition of unsafe buildings, etc.
- (v) *Public utility functions* : managing transport, electricity, etc. (Greater Bombay Municipal Corporation manages both; previously Delhi Municipal Corporation had both but it does not manage transport at present).

This is a formidable list, no doubt. But every municipality or municipal corporation is not given necessary powers to perform all of these functions. There are wide variations between powers and functions of a municipal council or board and those of a municipal corporation, and also between municipal bodies in one state and those in another state of the Indian union. Municipal government here enjoys *ultra vires* jurisdiction and not 'general competence' or residual power of sovereignty. The state government may intrude into municipal functional domain through executive decision, even where the municipal bodies are vested with legally delegated functions. Investing municipal government with 'general competence' does not, however, seem to be a practicable proposition under the existing constitutional system in India. The functional separation between the state and local governments is only notional. Secondly, in most of the states in India municipal functions are statutorily distinguished into 'obligatory' and 'discretionary'. Here again, there is no uniformity among the municipal legislations of different states as to which functions would be 'obligatory' and which functions 'discretionary'. The Bengal Municipal Act (1932), which does not distinguish between these two types of functions, refers to the function of conservancy and garbage removal as the only obligatory function for the municipalities (by the use of the word 'shall'). This distinction between 'obligatory' and 'discretionary' functions is usually made because of varying ecological considerations, unequal financial resources of different municipal bodies, and changing state of urban development in different parts of the country. This distinction does not mean that municipal bodies have to perform all 'obligatory' functions satisfactorily before undertaking any 'discretionary' functions. In practice such distinction is only notional. A recent study group of the Government of India has accepted the significance of this classification of municipal functions but prefers flexibility in transferring municipal functions from one group to another in response to changing conditions of urbanisation

and availability of financial and manpower resources.<sup>6</sup>

The real issue is : whether the municipal functional jurisdiction should be wide-ranging and broadly defined or limited and precisely indicated. There seems to be no point at all in a large municipal functional domain by extending permissive range of municipal discretion, particularly when the operational part of municipal functional responsibility is severely constrained by inadequacy of resources.

The recent trend in respect of municipal functions is, however, towards centralisation of certain services on grounds of technology, economy of scale, and maintenance of a uniform and efficient standard of services. In most states in India functions like transport, electricity and firefighting were either never given to municipal government or have been taken over by some functional agencies of the state government. The latest tendency has been to take away the management of water supply, trunk sewers, main roads, primary education, and community health services from the municipal bodies and give these to either the state directorates or special agencies of the state government. Such proliferation of authorities makes horizontal coordination very difficult and urban planning is made complicated. Sometimes the argument for such transfer of functions has been advanced on the ground of incapability or inefficiency of municipal government. The misgovernment syndrome in urban areas has always proved to be a handy argument in favour of de-municipalisation of the management of certain local services without even looking into the reasons behind municipal misgovernment. In India today a vicious circle seems to be operating in this respect: small size, limited functions, lack of administrative and financial resources of municipal bodies invariably lead to their inefficient performance, and leave them unreformed; and then, options are made in favour of new *ad hoc* agencies.

### *The Executive*

As a matter of deliberate policy, the municipal corporations in India have been provided with a fragmented executive authority. A sort of executive triumvirate consists of an elected corporation council, its standing (executive) committee, and a state-appointed (usually drawn from the IAS) municipal commissioner vested with exclusive executive function in the management of municipal corporation. This has almost become the universal management structure of the municipal corporations in India since its first adoption in the Bombay Municipal Corporation Act, 1888.

<sup>6</sup>Report of the Study Group on the Constitution, Powers and Laws of Urban Local Bodies and Municipal Corporations, Ministry of Works and Housing, Government of India, New Delhi, 1983, para 7.10 to 7.13.

In the case of municipalities, on the other hand, more than one pattern of executive can be found. One can point out to three varieties of municipal executive in India. First, the Tamil Nadu model (introduced in 1933 under Madras District Municipal Act, 1920) in which the elected municipal chairman acts only as the presiding officer whereas all executive powers are vested in a state-appointed executive officer, called municipal commissioner, who derives his independent executive authority directly from the statute; Kerala follows this pattern. Secondly, the Maharashtra model (introduced under Bombay Municipal Borough Act, 1925) in which a chief officer has to be appointed in each municipality but the selected municipal president is to keep watch over the financial and executive administration, and supervise and control all municipal officers and employees; Gujarat and Maharashtra follow this pattern. Thirdly, the West Bengal model (first introduced under Bengal Municipal Act, 1884) in which the entire executive authority devolves on the elected municipal chairman, a part-time political executive, who has inherited the position of the collector-chairman of the pre-Ripon period.

Throughout India, however, no elaborate committee system in municipal administration developed on the British model. Here, again, there seem to be three models: first, one standing committee comprising the municipal president, chairmen of the subject committees and a few elected councillors (Maharashtra model); second, only one executive committee constituted on the basis of proportional representation from among the councillors and no subject committees (Andhra Pradesh model); third, no standing (executive) committee, but a few subject committees with limited powers as prescribed in law (West Bengal model).

Since independence the overall trend has been in the direction of appointing executive officers for the municipalities from among the ranks of the officers of the state cadre. In Tamil Nadu the executive officer statutorily enjoys a prerogative of decision-making in executive matters. Very recently (1981) West Bengal has introduced the system of deputing state government officers as executive officers (also state government personnel as engineer, health officer, and finance officer) to the municipalities. Formally speaking, these executive officers would function under the general superintendence and control of the president/chairman but there is nothing to prevent them from functioning as the eyes and ears of the state government. Concentration of bureaucratic power in the exercise of executive powers of municipal government is the unmistakable trend in India today.

The solitary exception can be found in the system of mayor-in-council form of executive provided in the new Acts (1980) of the municipal corporations of Calcutta and Howrah in West Bengal. This

experiment based on the model of cabinet-type political executive, responsible to the elected members of the municipal corporation, is expected to put an end to the fragmentation of executive authority and provide the much-needed political leadership in the management of big cities in India.<sup>7</sup> The experiment, however, is yet to be practised and its results would, no doubt, be keenly observed throughout India.

### *Personnel*

In the field of municipal personnel administration three systems, either exclusively or in various degrees of combination of the three, are found in India, viz. : (a) *separate* system in which all its personnel are recruited and managed by the municipal government (e.g., Gujarat), (b) *unified* system in which a separate state-wide cadre is created to serve only the municipal bodies, i.e., the personnel are transferable from one municipal body to another (e.g., Uttar Pradesh), and (c) *integrated* system in which municipal administration is integrated with state administration in the matter of personnel management and the personnel, in rotation, serve both municipal government and state government (e.g., Orissa). But most of the states in India follow a mixed system in which: (a) certain technical/administrative personnel belong to a unified cadre whereas others may belong to an integrated cadre (e.g., Tamil Nadu); or (b) some technical/administrative personnel belong to unified cadre whereas the rest of the personnel belong to separate cadre (e.g., Rajasthan); or (c) some personnel belong to an integrated cadre whereas the rest of the non-technical/non-administrative personnel belong to separate cadre (e.g., West Bengal after the recent amendment (1980) to the Bengal Municipal Act, 1932).

Almost all committees and representative forums of municipal government up till now have favoured the idea of unified personnel system for higher executive and technical (health, engineering, town planning, audit and accounts, education) staff of the municipal bodies.<sup>8</sup> Only one committee has frankly championed the integrated system for municipal personnel administration.<sup>9</sup>

So far as personnel administration in municipal corporations in big cities is concerned, an integrated system for chief executive has been in vogue since the adoption of the Bombay model found in the

<sup>7</sup>For a fuller discussion, see *Nagarlok*, Vol. XIII(4), Oct.-Dec., 1981.

<sup>8</sup>Resolutions adopted by the First (1948) and Second (1954) Conference of the Local Self-Government Ministers, and by the Central Council of Local Self-Government in 1956, 1959, 1960 and 1963, and by the Fourth Conference (1963) of Ministers of Town and Country Planning; also the *Report of the Rural-Urban Relationship Committee* (1966).

<sup>9</sup>*Report of the Committee on Service Conditions of Municipal Employees* (1968).

Bombay Municipal Corporation Act, 1888; in some states, technical officers belong to a unified cadre.

The trend in this respect is also very clear. Centralised recruitment and management of municipal personnel dilutes the concept of municipal government as a detached and decentralised system of urban government. It is true that the demand for municipal self-government *per se* is no longer valid in the traditional political sense, but the introduction of a fully-fledged centralised personnel (unified and/or integrated) in municipal administration may not help create a high degree of institutional allegiance without which it becomes difficult to serve the civic population to its satisfaction.

### *Finance*

In respect of finance, the weakness of municipal government in India is proverbial. The devolution rules under the Government of India Act, 1919, included a list of local taxes which were set apart to be levied by the local bodies exclusively, but no such list was there in the Act of 1935. The Constitution of India also has not reserved any tax for the *exclusive* use by the local bodies. Both the Local Finance Enquiry Committee (1951) and the Taxation Enquiry Commission (1953-54) addressed themselves to this issue and both favoured the idea of reserving certain tax bases for the *exclusive* use by, or for, the local government. This was also one of the suggestions contained in the model legislation for municipal corporations.<sup>a</sup> Nothing concrete has been achieved towards this end, and the fiscal base of municipal bodies remains very limited. It has also not been found practical to assign any major productive tax source to the municipal bodies.

The municipalities and municipal corporations in India today continue to depend heavily on property tax as their main source of revenue. This is a tax on lands and buildings, which is imposed on the basis of the annual rental valuation of such properties. The performance of the municipal bodies in collecting property taxes is very poor throughout India, averaging between 40 and 50 per cent. Octroi, which is a tax imposed on the entry of goods into a local area on the basis of either weight or value of the goods, is another source of municipal revenue. Many national-level committees, including the Rural-Urban Relationship Committee (1966), did not favour the continuation of this tax. Two other minor items of municipal taxation are vehicle tax and profession tax. Some tax bases which were earlier available to municipal government have in course of time been transferred to the state government.

<sup>a</sup> IIPA (Centre for Urban Studies), *Proposals for Model Legislation for Municipal Corporations*. New Delhi, March 1977, p. 42.



Properties owned by the Union Government cannot be assessed and taxed by the municipal authorities because of a constitutional embargo.<sup>10</sup> Although the central council of local government and the all-India council of mayors have been asking for rectification of this fiscal disability of municipal government, no step has been taken till today. The union government, however, pays some service charges, but that is no compensation for the loss of revenue suffered on account of this disability. Even, it often becomes difficult for the municipal bodies to realise this service charge from the Railways, P&T, and other departments of the union government.

Apart from taxes, another major source of revenue for municipal government is the grants-in-aid given by state government. In India such grants are mostly *ad hoc* and discretionary. These grants vary from year to year and there appears to be no rational explanation of the variations in the relative sizes of the various grants. Codification of grants policy has been attempted in Kerala, Gujarat, Karnataka, Madhya Pradesh, Tamil Nadu but the boldest attempt seems to have been made in West Bengal where the municipal finance commission (1980-82) was given a very broad terms of reference to go into the entire problem covering all finances, revenue and capital, plan and non-plan. The WBMFC has since recommended large resource transfer from the state government to the municipal bodies.\*

Borrowing by the municipal bodies in India is subject to both statutory and administrative restrictions. Their borrowing powers are basically governed by a pre-independence central legislation (Local Authorities Loans Act, 1914) and borrowing is allowed for certain specific purposes only, including repayment of existing loans. Compared to municipal councils, municipal corporations enjoy greater freedom in respect of borrowing. But here the scope has been limited by the competitive borrowing activities of the central and state governments and the urban development authorities.

Low collection of property tax proceeds, erosion of tax base, and absence of grants policy have jointly produced one result: heavy dependence of the municipal bodies on state administration.

### *State Control*

Municipal bodies all over the world are controlled by some higher-level government in order to oversee that these grass-roots institutions of urban government do not transgress their legitimate sphere of

<sup>10</sup>The Constitution of India, Art. 285(1).

\*The West Bengal Government recently (1983) has brought out a Memo. detailing its policy towards grants to the municipal authorities; the Memo. however differs from the approach suggested by the West Bengal Municipal Finance Commission.—*Jt. Editor.*

action, cause any threat to peace and tranquility of the area, spend extravagantly and in an unauthorised manner, suffer any disability in discharging their allotted responsibilities. That is to say, the basic idea behind the scheme of state control over all types of local government, including municipal bodies, is to prevent them from acting at cross purposes with higher level government and to make them accountable at the local level.

The state governments in India possess wide powers over municipal bodies in respect of : (i) appointment or approval of appointment to higher posts, (ii) creation of new posts, (iii) contracts and estimates of higher value, (iv) sanction of budget, (v) formation of cadres of municipal employess, (vi) appointment and transfer, etc., of officers of different cadres, and (vii) framing or approval of rules, regulations and bye-laws. In India, municipal boards are supervised by the district officers and divisional commissioners in certain matters specified by law. In some of the states, the state-level directorate of municipal administration bears the general responsibility of advising and controlling the municipal boards.<sup>11</sup> But the unique feature of state control is the power of the state government to supersede or dissolve the elected municipal board and municipal corporation. Perhaps the solitary exception is Bombay Municipal Corporation whose statute (BMC Act of 1888) does not provide for its supersession by the state government. Municipal government in India, generally speaking, is made to depend on the state government, even for its bare existence.

The British administration in India introduced the provision for dissolution or supersession of municipal bodies mainly for two reasons: first, preventing them from becoming the local forums of nationalist agitations, and second, keeping them in check so that no law and order difficulty could arise from their activities. But in free India these punitive measures have been almost universally found to be necessary by the state governments.

Dissolution or supersession legally can be resorted to on any or all of the following grounds :

- (i) incompetence to discharge statutory duties like collection of rates, preserving proper sanitary conditions, etc.
- (ii) persistent default in performing duties;
- (iii) excess use or abuse of powers, especially financial powers; and
- (iv) frequent violation of the rules of business.

<sup>11</sup>Mohit Bhattacharya, *State Directorates of Municipal Administration*, Indian Institute of Public Administration, New Delhi, 1969.

If the state government comes to form its own 'opinion' at any time that a particular municipal board/corporation has been incapable of performing its functions on any of these grounds, it would order either supersession or dissolution of the board/corporation. In case of dissolution, the council's life is terminated and fresh election is ordered: it is an appeal to the electorate against an allegedly incompetent municipal body. But in case of supersession, the elected authorities are removed and a nominee of the state government is appointed as the administrator to discharge the powers and functions of the board/corporation. Supersession thus amounts to a denial of the people's right to be governed by their elected representatives. Usually the procedure for superseding a municipal board/corporation includes: (a) framing of charges by the state government and calling for explanations from the board/corporation, (b) show-cause notice, (c) final decision at the level of the state government. In some recent cases, this formality of procedure has also been dispensed with.<sup>12</sup> The political executive at the state level enjoys practically *unlimited discretion* in putting an end to the life of any elected municipal board/corporation, because the functional capability of a board/corporation can never be assessed objectively, persistent default is open to divergent interpretations, and the 'opinion' of the state government cannot be reversed by any court of law. The suggestion of a tribunal to go into the details of the charges framed against a municipal body has not been found acceptable to any state government.<sup>13</sup>

The Simon Commission (1930) described this power as the 'pole axe' whose existence it regretted. Since then all the official committees have expressed themselves against it. The UP Local Self-Government Enquiry Committee (1939) expressed itself strongly against 'supersession' of municipal bodies but did not object to 'dissolution' when the municipal body concerned persisted in making default in performing its statutory duties, in abusing or exceeding its powers, or in increasing deadlocks, provided prior warning was given.<sup>14</sup> The Rural-Urban Relationship Committee (1966) clearly observed that "supersession, dissolution and action in default by the state governments should be applied rarely and as a last resort after all means of advice and persuasion have been exhausted."<sup>15</sup>

<sup>12</sup>The Government of West Bengal in March 1972 first promulgated an ordinance to amend the Calcutta Municipal Act (1951) for removing this requirement of charge-framing and showcause, and immediately thereafter superseded the Corporation of Calcutta.

<sup>13</sup>R.B. Das, "State Supervision and Control", *Nagarlok*, Vol. II(4), Oct.-Dec., 1970.

<sup>14</sup>Report, Part II, para 40.

<sup>15</sup>Report, Vol. I, p. 118.

What is most alarming is not the existence of the reserve power of supersession and dissolution but its liberal and palpably partisan use in practice. Most unhealthy is the practice of mostly confining executive action against a defaulting municipal body to its supersession, and not dissolution. As dissolution would require an early election, it is avoided. The decision to supersede any municipal body is ultimately a political decision taken at the cabinet level. Recent research shows that supersession of municipal boards/corporations is most often decided on party political considerations; such decisions are predominantly politicised and they reveal the punitive motive and vindictive attitude of the political executive at the state level *vis-a-vis* the dissolved or superseded municipal body.<sup>16</sup>

An overwhelming percentage of the municipal boards in many states in India remain superseded for years together. In the middle of 1981 it was found that as many as 1700 municipalities out of a total of 2000 had no elected boards.<sup>17</sup> Till the middle of 1983 many as 41 out of a total of 67 municipal corporations (61 per cent) remained superseded.<sup>18</sup> There has been a tradition of keeping the municipal bodies practically under the thumb of the state government and starving them of necessary financial resources, and yet at the same time denigrating them as 'inefficient' and 'corrupt' institutions. As a result of this, local public opinion is hardly seen to be agitated over the issue of municipal supersession, even though much political noise may be made over the loss of local democracy. Increasing state neglect, coupled with opportunistic interventions in municipal affairs, adequately underlines the political indifference to municipal government in India today. The state governments have frequently postponed elections to civic bodies to suit the convenience of the party in power.<sup>19</sup>

<sup>16</sup>D.B. Rosenthal, *The Limited Elite: Politics and Government in Two Indian Cities* (University of Chicago Press, 1970) p. 19; Hoshiar Singh, "State Power to Dissolve and Supersede Municipalities", *Nagarlok*, VIII(3), July-Sept. 1976; Partap Singh, "Supersession of Municipal Bodies in India", *Modern Review*, September 1972; Ramashraya Sinha, "Supersession of a Municipal Corporation", *Nagarlok*, VIII(3), July-Sept. 1970; G. Mallikarjanayya, "The Dissolution of Samolkot Municipality: A Case Study", *Nagarlok*, V(3), July-Sept 1973; G. Mallikarjanayya, "The Dissolution of Municipality: A Case Study", *Nagarlok* VI(1), January-March, 1974; P.A. James, "State Control through Supersession and Dissolution" in S.K. Sharma and V.N. Chawla (eds.) *Municipal Administration in India: Some Reflections* (Jullundur: International, 1975).

<sup>17</sup>A.G. Noorani, "Suppression of Right to Local Self-Government", *Economic and Political Weekly*, 8 May 1982, p. 763.

<sup>18</sup>*Mayors' Newsletter*, XI (2), May 1983.

<sup>19</sup>A.G. Noorani, "Autonomy of Municipalities", *Indian Express* (Delhi), 14 March, 1978.

Since independence the official attitude of governing the urban areas has been somewhat ambivalent and the approach has always been ad hoc. Municipal government has now lost its appeal as a training ground for political education of the people. It is generally looked upon as an institution for partisan patronages. In the Indian urban scene the management of urban infrastructure has never been an exclusive jurisdiction of the municipal bodies. The pre-independence distrust of the municipal bodies and consequent reliance on city improvement board/trust continue even today. The provision of civic services are no longer viewed as city overheads. Of late, the realisation has dawned in the minds of the policy-makers that critical investments in civic services can also lead to greater employment and income opportunities, as absence of such minimal services have proved to be the impediments to production, trade and commerce, health and environment.

The response has been the creation of specialised agencies, both multi-functional metropolitan/urban development authorities and single-purpose functional boards for water supply, sewage disposal, housing, slums clearance and so forth. All capital expenditures for urban development are being channelled through these non-representative bureaucratic *ad hoc* boards and authorities, because the traditional municipal bodies are considered inadequate and also anachronistic to the increasing demands of city management. As a result, municipal bodies are not involved in the process of urban planning and development; these representative bodies are meant to function merely as service-oriented institutions mostly concerned with the operation and maintenance of a limited number of civic services. The newly-created bureaucratic and unrepresentative agencies are given not only the necessary funds but also the necessary powers and functions of permissive, proscriptive and prescriptive nature. The best illustration of this trend can be found in Calcutta where the functioning of Calcutta Metropolitan Development Authority has reduced the municipal bodies to a position of insignificance so far as management of this largest metropolis of India is concerned. The only exception to this trend has been Bombay where the Greater Bombay Municipal Corporation has succeeded in keeping the Bombay Metropolitan Regional Development Authority at the periphery of metropolitan management. In the case of Madras the eclipse of the municipal bodies has been partial, and Delhi constitutes a special category as it is a union territory and the national capital.<sup>20</sup> In other non-metro-

<sup>20</sup>A. Datta and B. Chakravarty, *Organizing Metropolitan Development*, New Delhi, Indian Institute of Public Administration, 1981.

politan cities and towns the development authorities and improvement boards have not been much of a success. Much conflicts and contradictions have developed between these authorities and city corporations. Their failure can be accounted for by more than one reason: first, regional planning practices are absent in India and there has not yet been any national consensus on where the main focus of social change should lie—on cities or on villages; and second, *ad hoc* urban development schemes are drawn up and pushed through without the help of empirical knowledge about urban economy.<sup>21</sup>

As new agencies are continuously created, an uncoordinated administrative mess is created in the governance of the urban areas. The overall needs of an urban or metropolitan area are lost sight of owing to the non-existence of any locally accountable political authority to look after the totality of the civic services of the area. In the Indian planning process there has always been a tendency to concentrate planning powers at higher levels of government and neglect it where it is most relevant. While planning for the cities and towns, the municipal councils and corporations are not taken into confidence. As a matter of fact, municipal bodies have never got into the mainstream of the national planning process. The Third Plan document, for the first time, recognised the urgency of meeting the coming challenge of rapid urbanisation and pleaded for involving the cities and towns into the planning process. But no concrete assignment of functions and resources was made in that plan. Subsequently in the seventies the integrated urban development programme (IUDP) and integrated development of small and medium towns (IDSMT) were adopted as part of urban development programme, but in neither of these two programmes were the municipal bodies assigned any decision-making role. The representative institutions of urban government are to play a very minor role in these programmes of urban development.

What is remarkable in India's system of urban government is the near total delinking between improved urban planning and effective urban government. A series of *ad hoc* policy decisions has resulted in the imposition of new *ad hoc* institutions and starvation of the municipal bodies in respect of both financial and managerial resources. Sometimes, reforms of municipal government have been thought about, but all such thinking has been related to structural organisation rather than to the policy-formulation and management processes. Perhaps the one aspect of municipal government in India which deserves immediate and careful attention is the municipal management

<sup>21</sup>Kalyan Biswas, "Urban Development Authorities", *Urban India*, Vol. II(2), June 1982.

system which has two major facets of its own, viz., (a) formulation and implementation of urban development policies and programmes, and (b) development of manpower resources and proper staff control. Most of the inefficiencies and corruptions for which the municipal bodies are usually held responsible fundamentally arise from deficiencies in the management processes as reflected in defective project formulation, tardy implementation, bad financial management, inefficient administration of services, avoidable overstaffing in some areas and understaffing in other, and, above all, perennial shortage of funds. The municipal bodies in India simply do not have enough resources to meet the additional burden of maintenance costs of additional investments made. They are already saddled with the rising costs of maintenance of the existing infrastructure.

### CORRECTIVE MEASURES

The dependent and neglected status of municipal government in India can be improved by adopting a few corrective measures. These can be discussed in terms of: (a) setting up new institutions, (b) developing new management systems, (c) according a constitutional recognition, and (d) developing a municipal lobby.

#### *New Institutions*

A small beginning in municipal reforms has recently been made in West Bengal, strangely by the Left parties whose basic ideological inclination is toward 'democratic centralism'. May be as a matter of political strategy, the state's Left Front government appears to have adopted a pro-municipal (as a matter of fact, pro-panchayat also so far as rural sector is concerned) stance since its coming to power in 1977. It has already: (a) enacted new municipal legislations for Calcutta and Howrah corporations, to provide for a fully accountable political executive in the form of Mayor-in-Council; (b) amended the Bengal Municipal Act of 1932 to provide for certain support services to the municipalities by deputing (and paying for them) executive officers, engineers, accounts officers, and medical officers of health to the municipalities; (c) set up a Central Valuation Board for the purpose of helping the municipal bodies in the work of assessment for property taxation; (d) instituted a Municipal Finance Commission with larger terms of reference, including the power to recommend resource transfer from the state government to the municipal bodies on the basis of a well-defined grants policy (the commission completed its work by March 1982); (e) established a Directorate of Local Bodies and a Directorate of Municipal Engineering for controlling and assisting the municipal councils in their functioning; and (f) broadened the scope of participation by the municipal bodies in

implementing urban development programmes. Municipal elections have been held in 1981 and an early restoration of elected corporations has been promised for Calcutta and Howrah. Compared with the attitude towards municipal bodies, and the standard of performance of other state governments in India, West Bengal's recent efforts appear significant, even though the actual implementation has not been that much encouraging. West Bengal's experience need not necessarily coincide with the experiences of other states, but there is no denying the fact that no such comprehensive institution-building has ever been attempted in any other state in India.

West Bengal's experiments would, no doubt, be closely observed by the other state governments. But, here again, one can lament that nowhere in India, including West Bengal, a long term 'policy' for the development of municipal government can be noticed. No state administrative machinery in India includes any 'policy cell' for continuously evaluating municipal policies and programmes of urban development. It seems unrealistic today to assume that the municipal bodies could function effectively without necessary fiscal support from the central and state governments. It is high time that India should have a clear urban development policy indicating the agencies for urban development. If municipal bodies are chosen as the agencies, their development and maintenance budgets should match their responsibilities through appropriate transfer of resources from the central and state governments. A 'policy' decision is necessary to widen the fiscal base of municipal government so that the municipal bodies can function as important partner in the public sector and finance a substantial portion of urban public services.

There is need for a well-equipped administrative machinery at the state level which would act as a bridge between the state government and the municipal bodies. In India the machinery of state control over urban local government has been used so far only to regulate, control, prohibit and penalise the municipal bodies and not to promote a vigorous system of municipal government. The role of the state government *vis-a-vis* the municipal bodies largely appears to be restrictive, directive and regulatory. But ideally the purpose of state control should be to take adequate measures for the development of local self-governing institutions into efficient instruments of administration, capable alike of formulating policies and executing them.<sup>22</sup> State control of local bodies needs to be interpreted from a positive angle and not in a restrictive and fault-finding spirit. But the state governments in India have not yet been seen to have played any

<sup>22</sup>The point was first made in the *Report of the Taxation Enquiry Commission* (1955).



stimulating role nor have they followed any policy of fostering and developing municipal democracy, efficiency and capability. The role of the municipal bodies in local mobilisation of resources for urban development has up till now been neglected. As a result of continuing indifference to municipal politics, local mobilisation of resources for, and management of, urban development process by the municipal bodies has been, by any standard, very poor. The delinking of the municipal political system from decision-making in urban development has led the municipal bodies to drag their feet whenever their efforts have been called for in the task of local mobilisation of resources<sup>23</sup>

#### *New Management System*

The first effort to introduce a new management system in municipal government was made in 1966 when the mayor-in-council form of management—short of cabinet government in municipal administration—was proposed in the Delhi Municipal Corporation Bill. For various reasons, both political and parliamentary procedural, this bill could not be enacted. More or less the same form of management system, *mutatis mutandis* has now been proposed for Calcutta and Howrah Corporations where the system is yet to be tested. Apart from the need of a responsible political executive, fully accountable to the elected municipal body, there is need for other reforms in the managerial procedures and techniques followed by the municipal bodies. An objectively worked out system of personnel management, proper budgeting procedures and organisation of statistical intelligence relevant for policy formulation, and an elaborate and regular system of public relations and communications for feeding the general electorate and the rate-payers about the difficulties faced by the municipal bodies and what these bodies propose to do for them are some of the innovations which need to be introduced in municipal management. Without these support services, it would always be next to impossible for any type of municipal management to give a satisfactory account of itself to the people.

#### *Constitutional Recognition*

Much of the politico-legal weaknesses of the municipal government in India can, of course, be traced to its non-recognition by the Constitution. Panchayats, but not municipal bodies, have been mentioned in Article 40 in the chapter on the Directive Principles of State Policy. Only an indirect recognition of municipal government can be noticed in the establishment of the central council of local self-government (since renamed central council of local government

<sup>23</sup>Mrinal Kanti Bhattacharya, "Maintaining Calcutta's Urban Development", *Nagarloke*, Vol. IX(3), July-Sept., 1977.

and urban development) in September 1954 under Article 263 of the constitution. But this is merely a consultative forum of the union and the state governments, which discusses broad policies and programmatic issues, and seeks to influence the management of urban government by recommending norms of services, commissions research, devises programmes of urban development and suggests their adoption by the state governments through the union ministry of works and housing. Decision-making powers, however, are all vested in the state governments.

A Local List can, therefore, be thought of along with the Union List and State List in the Seventh Schedule of the constitution. Besides emphasising the democratic character of the constitution, such a list containing entries of subjects for exclusive use of the local authorities (both rural and urban) would serve two purposes: first, it would give the municipal bodies the much-needed constitutional standing of coordinate relationship with the Union and state governments, and urban federalism would have a secure constitutional basis for fighting against encroachments from any quarters; secondly, deriving its existence from the constitution, municipal government, as a sub-system of government, would not have to depend for its existence, as at present, on the sweet will of the state political executive. But no state government in India has yet produced any concrete proposal in this direction. While inaugurating the 17th meeting of the central council of local government and urban development, Prime Minister Desai pointedly remarked that the states wanted decentralisation from the Centre but they would not like to decentralise their functions to the local bodies.<sup>24</sup> The executive committee of the all-India council of mayors in its thirty-fifth meeting on October 28, 1977, and again in a memorandum submitted to the Prime Minister on April 6, 1983 demanded suitable amendments to the Constitution for providing safeguards against frequent and unprincipled supersession of municipal boards and corporations and postponement of civic elections for indefinite period.<sup>25</sup>

The demand for constitutional recognition of local government is certainly not unprecedented. The Basic Law of the Federal Republic of Germany (1949) recognises the right of the communities to self-government and empowers the federal constitutional Court to consider complaints of such bodies; the Constitution of Japan (1947) also has a place for local government.<sup>26</sup> In this connexion it might be relevant to

<sup>24</sup>*The Hindustan Times*, New Delhi, Oct. 29, 1977.

<sup>25</sup>*Indian Express* (Delhi), Oct. 29, 1977, and *The Hindustan Times*, New Delhi, April 8, 1983.

<sup>26</sup>Basic Law of the Federal Republic of Germany, Art. 28 and 93. The Constitution of Japan, Art. 92-95, and Local Autonomy Law (1947).

recollect that the International Covenant on Civil and Political Rights, which has been ratified by India, recognises in its Article 25 the right and opportunity of every citizen to take part in the conduct of public affairs directly or through freely chosen representative. And public affairs are certainly conducted at the local level, in addition to other higher levels. Municipal government may be regarded as co-equal with a department of the state government as both derive their functional authority from the state legislature. Local government is entitled to give effect to local choices in planning and expenditure: otherwise there is no point in having a system of local government.<sup>27</sup>

#### *Association of Municipal Authorities*

In the sphere of policy-making the municipal lobby is very weak in India. The only national forum of the municipal authorities is the All India Council of Mayors which was founded in 1962. This body represents some sixty municipal corporations and not the municipalities numbering over 2000. Up till now its voice has been found to have evoked little substantive response from the Union and state governments. A national body of the chief executive officers of the municipal corporations, styled as Municipal Commissioners' Conference, was formed in 1965 in Delhi, but it went into oblivion since then. In India there is no national level professional association of municipal accountants, engineers, and health officers. But such kind of professional associations are very strong and influential in Britain where they play a role in the formulation of policies affecting urban government and municipal management.

At the state level, however, the situation is slightly better. Some associations/chambers representing the municipalities exist in West Bengal, Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Rajasthan, Orissa, Uttar Pradesh, and Assam.<sup>28</sup> But these are very ineffective associations. Only the West Bengal Municipal Association enjoys a statutory basis as it is constituted under the Bengal Local Self-Government Association (Recognition) Act (1936). The activities of these municipal associations, however, have not yet been organised at such a level as to entitle them to a share in policy-formulation on municipal government. Only on isolated occasions they are consulted by the state governments in matters of pay revision of municipal employees, technical amendments to municipal laws or the quantum of grants-in-aid. In West Bengal in recent years there are some signs

<sup>27</sup>This point has recently been forcefully argued in the British context; see G.W. Jones and J.D. Stewart, "The Treasury and Local Government", *The Political Quarterly*, London, Vol. 54(1), January-March, 1983.

<sup>28</sup>*Associations of Municipal Authorities in India* (mimeographed), Centre for Urban Studies, Indian Institute of Public Administration, New Delhi, 1976.

of consultation between the state government and the West Bengal Municipal Association. Developing a strong and representative lobby of the municipal bodies and professional associations of municipal officials would go a long way in raising the status of municipal government. □

# *Fiscal Federalism and Municipal Finances\**

G. THIMMAIAH

FISCAL FEDERALISM refers to the scheme of division of governmental functions and financial resources between various levels of government in a federation and also the scheme of intergovernmental financial transfers. Economic theory of fiscal federalism provides the economic justification for : (i) the creation of multi-level governments in a federation, (ii) dividing functions and financial resources between various levels of government, and (iii) providing various types of federal financial assistance to reduce vertical and horizontal federal-state-local fiscal imbalances. In the literature on finances of local governments in India, there is a lot of descriptive account of the administrative and financial problems of local governments. Attempts to analyse these problems within the framework of economic theory of fiscal federalism are rare. Hence, an attempt is made in this paper to provide a brief theoretical background to the justification for local government and its fiscal system and suggest an appropriate approach to channel financial assistance to the local governments in India in the light of the experiences of the older federations like USA, Canada, Australia and also of a new federation of the Federal Republic of Germany.

## ECONOMIC JUSTIFICATION

Perhaps the earliest justification for local government was provided by John Stuart Mill, though it was a political justification. He justified local government in a democracy as an institutional safeguard against concentration of power with the central government.<sup>1</sup> In the present Indian context, this justification may be interpreted as a safeguard against 'authoritarianism'. John Stuart Mill also justified local government as an appropriate training ground for political leadership.

\*An earlier version of this paper was presented at a seminar on "Status of Municipal Governments in India", organised under the auspices of the Centre for Urban Affairs, IIPA, New Delhi, in July, 1983.

<sup>1</sup>See J.S. Mill's essay in R.B. McCallum (ed.), *Considerations on Representative Government*. Oxford University Press, London, 1948.

However, we are concerned here with economic justification for local government and local fiscal system. In terms of micro-economic theory, it has been argued that efficiency in the allocation of a society's resources can be pushed to Pareto optimum level if the decision-making process is decentralised to the individual level.<sup>2</sup> Using this economic principle, the economic case for local government has been developed on the basis of the need to achieve efficient allocation of resources placed at the disposal of the public sector.<sup>3</sup> Provision for certain public goods, like security of life and property, is considered essential for the very existence of a society. It has been proved that the market mechanism fails to supply optimum level of such public goods in view of the failure of citizens to reveal their preferences for such public goods. Therefore, in a democracy the government is expected to provide these essential public goods. That is the economic justification for government. The government is expected to step in when the market fails to efficiently allocate the society's resources. Therefore, the government, as a collective institution, is justified for the very existence of a society. These include protection of life and property, and maintenance of law and order.

However, there are several types of public and merit goods which the government can and should provide to the citizens. Some of them, like defence, involve economies of scale in their provision. Some have to be spatially restricted for achieving efficiency in their supply. Since, efficient provision of optimum level of public and merit goods requires meeting the demand for such public services according to the varying tastes and preferences of the citizens, the need for spatial delimitation of the provision of various types of public and merit goods arises. This need for spatial delimitation of supply of public goods justifies multilevel governments, such as, state-local governments<sup>4</sup>.

There are some public goods like protection of life and property, which have a wider spatial coverage and which involve economies of scale in their supply. Such public goods will have to be provided by one national level government. Here the unit cost of supplying them is very important. The preferences of the citizens is very difficult to assess as they do not reveal them voluntarily. Therefore, such essential public goods should be made equally available to all citizens free of cost. In the absence of voluntary revelation of preferences, voluntary

<sup>2</sup>See, for details, R.J. Mishan, "A Reappraisal of the Principles of Resource Allocation", *Economica*, November, 1957.

<sup>3</sup>See Wallace Oates, *Fiscal Federalism*, Harcourt, Brace, Javanovich, New York, 1972.

<sup>4</sup>See Richard M. Bird, *Central-Local Fiscal Relations and the Provision of Urban Public Services*, Centre for Research on Federal Financial Relations, The Australian National University, Canberra, 1979.

contributions to finance the supply of such public goods do not come forward. But there are some public and merit goods, like fire protection and provision for public health respectively, which have limited spatial coverage and which have to be catered to varying tastes and preferences of the citizens in order to achieve efficiency in their supply. Such public and merit goods become the responsibility of the state and local governments.

Efficient means of financing these various types of public and merit goods would require raising of funds on the basis of a voting system with every public good linked to a corresponding financing proposal. But this kind of trading public goods for voluntary payment will prevent many citizens from enjoying them. Poor people may have to go without certain essential public goods like protection of life. Quite apart from the unfairness and inequity of such a scheme of providing public goods, the cost of excluding those who are not able and prepared to pay for public goods would be more than the cost of supplying additional units of public goods. Therefore, the provision for such public goods (as, for example, services of army) will have to be made by requiring the citizens to make compulsory payments like taxes. However, the local public and merit goods, such as, fire protection, traffic regulation, sanitation, etc., can be linked to the payment of benefit levies and this process of linking the local taxes will enable the society as a whole to achieve efficiency in the allocation of resources within the public sector.

Besides, some taxes involve economies of scale in administration. Such taxes go to the national government. Others which have only local base and which require local knowledge for administration come to the local governments. But such taxes tend to yield less revenue than the taxes which have nation-wide base.

Thus if the principle of allocative efficiency is used for creating local governments and also for assigning them with local functions and financial sources, a situation invariably arises where they are left with inadequate revenues for supplying local public and merit goods. This is not merely because of the absence of correspondence between the number of functions and sources of revenue assigned to them but also because efficiency and economies of scale justify assignment of most productive sources of revenue to the national government which reduces the scope for more local taxes. This awkward situation inevitably creates the problem of financial inadequacy for the local governments. Thus the financial transfers from the higher level governments to local governments become necessary to meet their financial requirements to provide certain essential local public services, like fire protection, traffic regulation, water supply, sanitation, public health, public parks, etc. Efficiency in the supply of these public and

merit goods requires that they should be provided by local governments. This is the justification for federal-state financial assistance to local governments.

#### INDIAN SITUATION

In India the earliest local governments emerged mostly in urban areas though village panchayats were in existence in the rural areas since long. However, these village panchayats did not function as local governments but were only village assemblies without any responsibility to provide local public services. They were mainly used for settling village disputes and organising some village functions. Therefore, the true form of local government system emerged only in the urban areas during the period from 17th to 19th centuries. Several municipalities were created in the then presidency towns like Calcutta, Bombay and Madras. Subsequently this type of local government system was introduced in all urban centres. These urban local bodies were given the responsibility of providing local public services, like sanitation, public hygiene, water supply, and subsequently, street lighting, roads, schools and health services were added.

The sources of revenue assigned to them were limited in their revenue yielding potential, though not in number. The two high yielding sources of revenue were octroi and property tax. Octroi had its own economic and administrative deficiencies and property tax bristled with its own administrative problems. As the urban population increased, the demand for urban local services increased enormously. This forced the urban local bodies to depend upon the financial assistance from the then central government. After independence, mainly the state governments have been looking after their financial requirements.

Today octroi, property tax, entertainment tax and profession tax are the major sources of tax revenue for the local governments. But all these taxes have not been exploited by all urban local governments. For instance, octroi has been abolished in some states like Karnataka and Madhya Pradesh. The rates of property tax have remained stagnant in many municipalities. The rent control Acts which were introduced during World War II have also come in the way of exploiting the property tax. Entertainment and profession taxes have been taken over by the state governments in many states like Karnataka where even compensatory grants are not given to local governments; in some other states, the yield from certain taxes like entertainment tax and motor vehicles tax have been shared with local governments. Most of the state governments no doubt provide grants for specific purposes. However, all these financial transfers have been inadequate to meet



the expenditure needs of the local governments. Consequent on unsatisfactory financial position of these local governments many of them have not been able to provide certain local public services, like water supply, education and health facilities at the required level. Therefore, in states like Karnataka where these services have been taken over by the state governments. Thus, instead of strengthening the financial position of the local governments to enable them to provide such services of standard quality, their functions have been taken over by the state governments. Even such retrograde policy has provided some financial relief only to big city corporations. Small municipalities continue to face the problem of financial inadequacy owing to their limited revenue potential and hence they have been forced to neglect local public services, like sanitation, etc. What is more, whatever meagre financial assistance that is provided to them by the state governments has been made haphazardly without any rational basis. Several committees<sup>5</sup> have recommended not only for the transfers of more funds from the state governments to the local governments, but also on a long lasting rational basis.

As already mentioned earlier, a major justification for federal and state governments' assistance to local governments is to enable them to provide minimum level and quality of certain essential local public services which the state governments themselves cannot provide as efficiently owing to the need to cater to the local tastes and preferences. This would mean that the state governments should assist the urban local governments to enable them to provide uniform quality and volume of local public services. This argument combines both efficiency and equity in the provision for local public services. In other words, financial assistance from higher level governments to local governments is justified not only on the ground of efficient supply of local services, but also to make uniform quantity of such local public services available to all urban dwellers. Once this argument is accepted, the next issue is what type of equalisation is more efficient at the local government level? For this purpose, it would be better to review the experiences of other federations and see whether we can learn from their practices.

It is necessary to mention here that the principles which govern the federal-local and state-local fiscal relations are the same as those which govern federal-state fiscal relations. This is mainly because, the principles which are used to justify division of functions and sources of revenue between various levels of government in a federa-

<sup>5</sup>See for instance, *Report of the Committee of Ministers on Augmentation of Financial Resources of Urban Local Bodies*, Central Council of Local Self Government, New Delhi, November, 1963.

tion and also the nature and criteria of financial transfers from higher level to lower level governments are the same. The type of federal financial transfers used, such as grants, tax shares, etc., are the same for assisting the states as well as local governments.

#### EQUALISATION SCHEMES IN OTHER FEDERATIONS

It should be mentioned here that in Canada<sup>6</sup> and West Germany<sup>7</sup> there is no commendable system of financial equalisation at the local government level, though there is a well developed system of equalisation programme in Australia even at the local government level. In Canada, USA, and West Germany though the state governments' assistance to the local governments is as haphazard as in India, the federal financial transfers to the state governments have been rationalised on the basis of equalisation principle. And in Australia<sup>8</sup> such federal-state equalisation scheme has been carried down to local government level. Therefore, it would be rewarding to examine their relevance for federal-state financial transfers to local governments in India.

#### *Revenue Sharing in the USA*

In the USA the general revenue sharing scheme came into operation in 1972<sup>9</sup>. Under this scheme about 1.3 per cent, (\$ 30.2 billion), of the federal income tax revenue collected was transferred to state and local governments. The state governments were entitled to use only one-third of the amount received from the federal government and pass on the remaining two-thirds to the local governments, with some ceiling restrictions. The federal government distributed this revenue share among the states on the basis of three-factor or five-factor formulae depending upon the preference of the state government concerned. The three-factor formula involves population, tax effort and inverse of per capita income as the criteria and five-factor formula involves, in addition to the above three factors, percentage of population living

<sup>6</sup>Thomas J. Courchene and Glen H. Copplestone, "Alternative Equalisation Programs: Two Tier System", in Richard M. Bird (ed.), *Fiscal Dimensions of Canadian Federalism*, Canadian Tax Foundation, Toronto, 1980, Thomas J. Courchene and David A. Beavix, "Federal Provincial Tax Equalisation: An Evaluation", *Canadian Journal of Economics*, November 1973, and John F. Graham, "Equalisation and Canadian Federalism", *Public Finance/Finances Publiques*, No. 2, 1982.

<sup>7</sup>J.S.H. Hunter, "Inter-state Fiscal Equalisation in the Federal Republic of Germany and Comparisons with Australia and Canada", *Australian Economic Papers*, June 1973.

<sup>8</sup>For details see Grants Commission: *Second Report 1975 on Financial Assistance for Local Government*, Canberra, 1975.

<sup>9</sup>Richard P. Nathan et al, *Monitoring Revenue Sharing*. The Brookings Institution, Washington D.C., 1975.

in cities of 50,000 people and above and state personnel income tax collections. The federal government had specified the priority areas for which the federal revenue share transferred could be utilised. But this specification was removed in 1976.

The revenue sharing scheme which came to an end in 1977 was extended for a further period of five years and is still in operation. But the unconditional nature of the revenue transferred to the state and local governments has changed.<sup>10</sup> There has been a shift of emphasis from federal revenue sharing to encourage local governments to tap their own sources to the hilt. It is also interesting to note that some recent proposals have advocated sharing a portion of revenue from federal excise taxes.

It may be noted that the federal assistance to local governments passes through the state governments. Thus the state governments are not prepared to let local governments to have direct financial nexus with the federal government. Further, the federal or state governments do not bother about the special needs of the local governments. Furthermore, the general revenue sharing scheme tries to achieve revenue equalisation indirectly by using indicators of equity for distributing the states' share among different states.

#### *Revenue Equalisation in Canada*

In Canada the equalisation scheme, which was first introduced in 1957, has been further expanded and continued. Basically the equalisation scheme in Canada tries to equalise the per capita revenue available to all the 10 provinces from provincial sources. For this purpose about 28 sources of revenue allotted to the provinces in the constitution are included into the scheme. After working out a national average standard rate for each of these 28 sources of provincial revenue, it is applied to the tax base existing in each of the provinces. Those provinces which experience per capita revenue from each source equal to and above national average per capita revenue do not receive any equalisation payments from the federal government. Those which experience less than the national average per capita revenue from each of these sources receive equalisation payments from the federal government so as to make their per capita revenues equal to the per capita national average. The Canadian scheme of equalisation of per capita provincial revenue does not bother about the own revenue efforts of the provinces and varying expenditure needs on account of differences in unit costs resulting from special problems to provide certain public services in different

<sup>10</sup>ACIR, *General Revenue Sharing: ACIR Re-evaluation*. Washington D.C., October, 1974.

provinces. The revenue equalisation payments are made in the form of unconditional grants to the provincial governments.

### *Revenue Equalisation in West Germany*

In West Germany more or less similar equalisation scheme has been in operation though there are some differences between the two. The revenue equalisation scheme was introduced in West Germany in 1969 on the recommendation of Troeger Commission of 1964, which reported in 1968. In West Germany the yield from tax on wages and assessed income, (which corresponds to individual income tax), on other incomes, (which corresponds to corporate income tax), trade tax and value added tax are shared with the states. Forty-three per cent of the yield from individual income tax and 50 per cent of the yield from corporate tax are assigned to the state governments on the basis of origin of collection. And 30 per cent of the value added tax is assigned to the state governments, 22.5 per cent on the basis of population and 7.5 per cent on the basis of special financial needs of only those states whose tax/income ratio is below the national ratio.

First, the sum of actual revenue raised by each state including its own taxes, the share of municipalities in the taxes on wages and assessed income collected in the state, and half of the municipal property and trade taxes received in the state, is determined. To this the share of each state in the divisible pool of taxes on wages and assessed income is also added. After so determining the total revenue available to each state, the special burden imposed on each state's budget on account of expenditure on harbour maintenance, war damage, refugees, hard core unemployment and higher education, is estimated and deducted from the total estimated revenue of each state. The remaining amount of revenue is called adjusted revenue which is converted into per capita figure and compared with the per capita revenue of the entire country. Those states whose per capita adjusted revenue is above the national level per capita revenue, are required to transfer the excess amount to those states whose per capita revenue is below the national average per capita revenue. In the first stage, horizontal equity is attempted to be achieved by inter-state transfers, financially better-off states effecting transfers to the financially worse-off states through the equalisation fund. In a way this is a system of zero-sum financial game between the states. Over and above this kind of inter state equalisation payments, the federal government makes some grants to financially very weak states. Thus in West Germany also mainly revenues of the state governments are equalised without bothering about the expenditure needs of the state governments *vis-a-vis* their revenue efforts.

*Equalisation of Public Services in Australia*

As against these three models, we have the Australian model where the overall fiscal needs of the local governments are estimated by independent State Grants Commissions and the required financial assistance is recommended to be transferred to them by the state governments. In recent years a part of the yield from income tax called 'income tax entitlement' is transferred to the state governments which is earmarked for distribution among various local governments. That is the tax share component (which is called element A), in the federal-state-local financial transfers. All the six states' grants commissions distribute this income tax share on the basis of population and other indices of need. Then they estimate the expenditure needs of the local governments in certain specific fields of public services like roads, health, education, etc., and then they also estimate the revenue efforts of local governments *vis-a-vis* their revenue potential. The difference between the expenditure needs and revenue means available with the local governments is the estimated financial assistance required from the state governments to each local government. Thus the Australian system is more efficient from the point of view of preventing any substitution effect resulting from financial transfers from the states and achieving efficiency in utilisation of financial transfers by the local governments.

#### FISCAL NEEDS APPROACH TO FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS IN INDIA

We have already argued that the main reason for the existence of local governments is the efficiency in achieving allocation of resources through decentralised decision-making process in the public sector. We have also explained that efficiency is the basis of the distribution of functions and revenue resources between various levels of government in a federation. Following from this, it is necessary to emphasise the fact that efficiency in financial transfers from the federal and state governments to the local governments requires that it should take into account the own revenue efforts *vis-a-vis* expenditure needs of the local governments and determine the financial transfers accordingly. Such an approach will prevent substitution of financial assistance for own local tax efforts and also wastage of financial resources. These two criteria ensure allocative efficiency in federal-state financial assistance to the local governments. This can be achieved if net fiscal needs approach is followed while making the financial transfers to the local governments. In addition to this, it is also necessary to see that the funds received are not diverted for not so essential purposes. At the same time, too much of assistance in

the form of conditional grant will also compel the local governments to overspend on those services at the neglect of other equally important services. Therefore, though conditional matching grants may be necessary to ensure proper utilisation, they should not predominate in the financial transfers from the federal and state governments to local governments. With these precautions, the central and state governments may use the Australian method of providing financial assistance to the local governments in India.

In Australia the Commonwealth Grants Commission, which was created in 1933 to assess the fiscal needs of the 'claimant' states and recommend financial transfers, was asked in 1974 by the Labour government to estimate the financial needs of the local governments also, and recommend federal assistance to the local governments directly. The Grants Commission rightly applied the method it was already using for recommending special grants to 'claimant' states to determine the financial assistance required from the Commonwealth government to the local governments also. This assistance was provided by the Commonwealth government directly to the local governments without formally channelling it through the respective state governments. However, from 1976 the Commonwealth Grants Commission has ceased to recommend financial assistance to the local governments, in the wake of protests from the state governments on the ground of interfering in the financial sphere of the state governments. Therefore, this responsibility has been transferred to the state governments with a requirement that they should each constitute a State Grants Commission for the purpose of assessing the financial needs of local governments and for recommending them the required financial assistance. All the state governments have constituted their respective Grants Commissions which have been following the net fiscal needs approach of the Commonwealth Grants Commission to determine the financial assistance from state governments to the local governments.

First, they distribute income tax entitlement share called element A, and then assess the expenditure needs of the local governments in certain specific fields by using a 'consensus' standard level of services, *viz.*, the level agreed by all the local governments. They estimate the own revenue efforts of the local governments by applying 'consensus' standard rate to the revenue base of different local governments. Then they arrive at the amount of unconditional grant which each local government would require. The amount of grant recommended to each local government is equivalent to the amount of revenue required to provide certain essential local public services of reasonable quality minus the own revenue of the local government estimated by applying standard rate.

In India as far back as 1966, the Rural-Urban Relationship Committee<sup>11</sup> recommended for the appointment of State Finance Commissions to assess and recommend financial assistance to local governments. This suggestion was also endorsed by others<sup>12</sup>. But no action was initiated by any state government in this direction. This was partly because of little concern shown to the local governments by Congress(I) Party which was in power at the centre and in most of the states. Even the Janata Party governments in the states paid only lip sympathy to the financial problems of local governments. It is only recently that some state governments have shown interest in the suggestion to constitute State Finance Commissions. It is reported<sup>13</sup> that Kerala government constituted a Municipal Finance Commission in 1973 which reported in 1976. The governments of Gujarat and Maharashtra are also reported<sup>14</sup> to have constituted state finance commissions to recommend financial assistance to the local governments. In 1981 the Government of West Bengal constituted the Municipal Finance Commission which submitted its report in 1982<sup>15</sup>. Recently, the Taxation Review Committee<sup>16</sup> of the Government of Karnataka recommended the constitution of a State Finance Commission to determine the financial needs of both the urban and rural local bodies. Acting on this recommendation, the Janata Government in Karnataka has recently announced the constitution of the State Finance Commission for this purpose. All these are a step in the right direction, both in terms of injecting an element of equity in rendering public services and also efficiency in transferring financial resources to the local governments. The local public services in the country will be greatly improved if this institutional system is introduced in

<sup>11</sup>Government of India, Ministry of Health and Family Planning. *Report of the Rural-Urban Relationship Committee*, Vol. I, New Delhi, June 1966, p. 88.

<sup>12</sup>Abhijit Datta, for example, also advocated for such a Local Finance Commission. See: *Urban Government, Finance and Development*, The World Press Private Ltd., Calcutta, 1970, p. 79. It may be noted that a suggestion has been made to constitute a Municipal Finance Commission at the national level. But such a suggestion misses the point that a national commission cannot do justice to the task assigned in view of a large number of local bodies of diverse structure in different states. Efficiency argument can be used here also to dismiss this suggestion and to justify state finance commissions.

<sup>13</sup>P.K. Rao, "The Case for Civic Finance Commission", *The Economic Times*.

<sup>14</sup>Asok Mukhopadhyay, "Status of Municipal Government", working paper presented at the Seminar on Status of Municipal Government in India Today, organised by IIPA, New Delhi, July 1983.

<sup>15</sup>See, for details, Abhijit Datta, *State-Municipal Fiscal Relations: A Comparative Study of Australia and India*, Centre for Research on Federal Financial Relations, The Australian National University Press, Canberra, 1982.

<sup>16</sup>Government of Karnataka, *Karnataka Taxation Review Committee, Part II Report on Finances of Local Bodies*, Bangalore, 1983.

every state to review periodically the financial needs of local governments, and the State Finance Commissions follow the net fiscal needs approach to recommend financial transfers from the state governments to the local governments.

It is pertinent to examine in this context whether there should be one State Finance Commission in each state to serve both urban and rural local bodies or there should be separate commissions for urban and rural local bodies respectively. In terms of the workload involved, and in view of the number of urban and rural local bodies in several states like UP, Bihar and Madhya Pradesh, it would be better to have separate commissions. Further, it is also necessary to pass a legislation in all states in order to give legal status to State Finance Commissions. This will make them a permanent institutional feature of local finance in the states. Otherwise the appointment of State Finance Commissions will depend upon the mercy of the state governments in power. The legislation should lay down the composition, qualification of members and the broad principles, (but not any formula), which the commission should follow while determining the fiscal needs of the local governments. This has been done in Australia with a view to avoiding conflicting methodologies which might result where several such commissions operate in a country.

The State Finance Commissions should comprise a chairman, two expert members and a member secretary. The chairman should be from the judicial profession of the status of a high court judge. Of the two experts, one should be an economist specialised in public finance, preferably in local government finances, and another should be a valuation expert. One of the joint or additional secretaries of the state government finance department may be appointed as member-secretary.

The State Finance Commissions should distribute first the net yield from rented taxes like entertainment tax, profession tax, etc., which are traditionally local government taxes but levied by state governments for efficiency reasons. Then the commissions should recommend a share in the net yield from motor vehicles tax and distribute fifty per cent of it in proportion to population and fifty per cent in proportion to road length. Then after estimating the net fiscal needs of each local government for providing equal level of local public services, the commissions should recommend grants—a mixture of unconditional and conditional grants—depending upon the net fiscal needs of different local governments. For estimating the standard expenditure levels and tax efforts, the average of all local governments' norm may be used. The periodicity of the appointment of the State Finance Commissions may be once in five years. Their appointment and reporting should be so timed as to make their recommendations



available to the state governments at the time when the National Finance Commission is appointed to assess the financial needs of the state governments.

In this context it is necessary to explore the possibility of the National Finance Commission being asked by the central government through its terms of reference to examine the need for earmarking a portion of the states' share in the net yield from union excise duties for distribution among local governments. This is because, the state governments themselves are facing the problem of financial inadequacy and hence they may not be able to transfer substantial amounts to meet the growing needs of local governments. Realising such a position in federations like the USA and Australia, the federal governments have been sharing a portion of federal income tax with local governments. In India the yield from income tax is expected to be shared only with the state governments. However, the net yield from union excise duties may be shared with state governments with a condition that a fixed proportion of the states' share will be distributed by the state governments among their local governments. Such a scheme will go a long way in reducing the financial stringency of the local governments in India. □

## *Mayor-in-Council: Prospects for the Future\**

M. K. MOITRA

THE MAYOR-IN-COUNCIL is yet to be tried out as a system. Introduced in the Calcutta Municipal Corporation Bill, 1980, this system seeks to replace the earlier concept of separation of powers between the deliberative and the executive wings of the corporation. It is difficult to discuss the prospects of the system which is yet to be put into effect. The attempt in this paper will, therefore, be to trace briefly the development of municipal administration in India in the three metropolitan cities—Calcutta, Bombay and Madras—from the middle of the 19th century and to consider in that background the salient features of the Calcutta Municipal Corporation Bill, 1980, introducing the mayor-in-council. Thereafter, the question of its replicability has been considered at two levels—at the level of day-to-day municipal administration and critical issues likely to influence this, and secondly, at the conceptual level of introducing the system as a whole.

The mayor-in-council system can be said to be the culmination of more than a century's old debate on the so-called dichotomy between administrative efficiency and popular representation. In terms of reconciling the earlier imbalance created due to the separation of the executive and the deliberative wings, with full executive powers vested in an individual appointed by the state government, the introduction of mayor-in-council system is a step forward in ensuring that the power of decision-making in respect of implementing the various functions lies with the political executive, elected on the basis of popular representation.

Since considerations of the various issues which will affect the prospects of working of the mayor-in-council system in this country will depend on several factors, it would be premature at this stage to

\*Paper submitted at the IIPA seminar on: "Status of Municipal Government in India Today", July 29-30, 1983.

make any prediction about its working. Nevertheless, it would perhaps be possible to identify some areas of critical concern which would have to be watched carefully in future to try and consider its success or otherwise. In terms of its replicability to other cities, the other main point is the acceptance of the principle of unification of the deliberative and executive wings of the municipal corporation through the introduction of the mayor-in-council system. Despite local differences, it is presumed that the basic framework of the municipal administration will remain unaltered in the cases of cities and towns in India.

Since the ultimate source of authority for the municipal Acts in India is the state government, actual functioning of the municipal corporations of these metropolitan cities would really depend on the political will of the state government. That the mayor-in-council system is the most preferred one amongst the elected municipal representatives is clear from the resolution of the All-India Council of Mayors, and the recommendations made in the Report of the Study Group on the Constitution, Powers and Laws of Urban Local Bodies and Municipal Corporations.

#### HISTORICAL PERSPECTIVE

The 1842 Act, in undivided Bengal, enabled "the inhabitants of any place of public resort or residence to make better provision for purposes connected with public health and convenience". Between 1871 and 1873, elective memberships were introduced in the municipal corporations. The famous 1882 resolution of Lord Ripon introduced local self-government through partly elected representatives. Lord Ripon in his resolution of 1882 held that "It is not with a view to improvement in administration that this measure is put forward and supported. It is chiefly desirable as an instrument of popular and political education".

Commencing from 1856, the municipal Acts of Calcutta, Bombay and Madras gradually emerged into a system where the concept of separation of powers was firmly entrenched. So far as Calcutta is concerned, the municipal administration was vested in 1863 in a corporation consisting of justices of peace, while the executive authority were vested in the chairman, who was also the commissioner of the police. The Municipal Act, 1876, introduced the system of election of two-third of the councillors. Subsequently, the percentage of elected representatives was reduced to 50 per cent in 1882 and further reduced under the 1899 Act. The Bombay Municipal Corporation Act of 1865 also constituted a corporate body of 500 justices of peace with the executive power vested in the chairman, who was a government official.

Madras continued with the councillors-oriented system till 1867 where nominated councillors replaced the elected councillors. In 1904, the Madras Act was promulgated on the model of the Calcutta Act of 1899. The 1899 Act of Calcutta was replaced by the famous 1923 Act drafted by Sir S.N. Banerjee. The main emphasis of 1923 Act was to restore the elected representation for the city corporation and local self-government was seen to be a precursor of 'National Self-Government'. However, the principle of separation of powers between deliberative and executive wings was not altered. The 1951 Calcutta Municipal Act replaced the 1923 Act vesting all the executive power with the Commissioner, to be appointed by the state government. This Act recognises the commissioner as representing the municipal corporation as a whole.

The Bombay and Madras municipal corporations also continued the concept of a strong commissioner with the executive wing separated, headed by the commissioner, from the elected representatives. The mayor continued to be a ceremonial figure head working mostly as the presiding officer in the meetings of the corporation.

It is interesting that Lord Ripon while introducing the local self-government considered the administrative efficiency as something separate from the popular representation. The objective of introducing the local self-government was more for the latter. In the post-independence era, one of the underlying principles of separation of deliberative and executive wings appears to be that of doubt about the competence of the elected representatives to perform the executive functions of municipal administration in the best interest of the cities concerned. It is also likely that the state governments wanted to retain a very firm hold on the municipal corporations of the capital cities through the commissioners selected by them, which would be expected to work as check in the eventuality of a hostile elected municipal corporation.

If it is to be accepted that the elected representatives in any representative form of government should be the ultimate source of executive authority, this approach of the state government in continuing with the separation of powers between the elected and the executive wings appeared to be inconsistent with this principle.

#### CALCUTTA MUNICIPAL CORPORATION BILL, 1980—SALIENT FEATURES

The three authorities of the Calcutta Municipal Corporation Bill, 1980 are : (a) The mayor, (b) the mayor-in-council, and (c) the corporation (with its borough committees). The commissioner and the municipal secretary are the two important functionaries amongst the officials.

The mayor will be the chief executive and the leader of the team in the mayor-in-council. To understand the implications of the working of the mayor-in-council system, it is necessary to understand the extent of interactions likely between these constituents of the system. Of these, the most important one is the interaction between the mayor-in-council and the borough committees which are expected to function under the general supervision and control of the mayor-in-council, but at the same time, the borough committee members as councillors would be free to discuss and raise any issue in the corporation. The statute has also laid down the functions of the borough committee. Being closer to the people the borough committee which would be expected to look after most of the house-keeping work, will have to interact more intimately with the rate-payers. The mayor-in-council being concerned with the broader issues may not be able to respond to the immediate day-to-day needs of the citizens. The rate-payers would expect the members of the borough committee, as their representatives, to act as a pressure group within the corporation set-up. The framers of the statute perhaps had in mind while forming the borough committee as the deliberative body entrusted with statutory functions at a level closest to the people. It is probably intended to be used as a check on the mayor-in-council functioning in an isolated manner from the rate-payers. In the normal course this should not create a problem for growth of a harmonious relationship between the mayor-in-council and the borough committee. However, there would always be a possibility of a conflicting relationship growing up on occasions specially when the borough committee, though put in a position subservient to the mayor-in-council, has been entrusted with certain statutory functions even when a particular borough committee would be dominated by political parties other than the party in power. The other important point is that the corporation employees at the borough level are accountable to the borough committee. At the same time, they as corporation employees are accountable to the commissioner, who in turn is accountable to the mayor.

The role of the borough-level employees and the functioning of the borough committee, including the manner of carrying out its responsibility, should be clearly spelt out in the rules of business for the borough committee. However, despite the best of attempts, areas of overlapping jurisdictions might create problems in certain cases especially when each and every member of a borough committee is also a member of the corporation. Every councillor would have to function wearing two hats. The question is which hat would prove to be more precious. Possibilities are that borough-level problems, if not sorted out within the borough committee or with mayor or mayor-in-council, will travel up to the corporation debates. The other important

point for consideration is that the commissioner is accountable to the mayor and not the mayor-in-council and the corporation employees are in turn accountable to the commissioner. In such a situation, it is difficult to visualise a system where individual member of the mayor-in-council would interact directly with his principal executive officers responsible for the departments under his charge and yet, without such a situation, it is difficult to accept smooth functioning of the mayor-in-council system working on the basis of collective responsibility. The mayor, under such circumstances, would enjoy a privileged position as the statute gives him complete authority to assume full control of the executive functions disregarding his councillor colleagues and the borough committees. In the normal course this need not happen but the possibilities of occasional abnormal situations should also be taken into account.

The other grey area in the functioning of the system is the interaction between the municipal secretary and the municipal commissioner. It is interesting to note that the commissioner, as the custodian of all municipal records is not the custodian of the records of the mayor-in-council or of the corporation. Such a function has been vested in the municipal secretary, as the secretary to the corporation. It is presumed that this check and balance is an attempt to control the executive wing in the corporation. However, it has to be remembered that the corporation does not deliberate on legislative issues but on matters pertaining to municipal functions whose ultimate instrument of implementation is the executive wing. In such a situation, the dual functions of the municipal secretary envisaged in the Calcutta Municipal Corporation Bill, 1980 are likely to lead to conflict situations.

The major areas of critical concern, therefore, are the mayor-in-council and borough committee relationship, the relationship between the borough committee and borough employees *vis-a-vis* the commissioner, the mayor and the mayor-in-council, the mayor functioning through the commissioner, the conflict potential due to the dual role of the municipal secretary and locating the centre of executive accountability at the mayor's level. Amongst all these areas, the most critical are the functioning of the borough committee *vis-a-vis* borough level employees and the mayor functioning through the commissioner. It has to be remembered that the instruments of executive action are permanent executive and the employees of borough-level will be required to respond to the dictates emanating from the two levels. This would become all the more difficult when it would be difficult to identify distinct borough-level functionaries for many of the corporation departments. Except for the district engineer and the district conservancy officer, other borough level department officers are not easily identifiable. The administrative structure does not, therefore,

conform to the concepts of the Calcutta Municipal Corporation Bill, 1980. This is a vital issue on which the smooth functioning of the mayor-in-council system would depend.

The entire administration set-up in the Calcutta Corporation is highly centralised where the functioning of the borough committee is based on the principal of decentralisation of municipal functions. The attempt should, therefore, be made to set up the administrative structure in harmony with the statutory functioning. In Bombay where there are local-level deputy commissioners and considerable amount of decentralisation such a system has a better chance of functioning smoothly.

The Madras Municipal Corporation's administrative structure is somewhat similar to that of the Calcutta Corporation having highly centralised set-up with all the sources of authority emanating from the central municipal office and all executive authority originating from the commissioner. There are no regional officers for coordinating inter-departmental actions. Considered in that background, problems similar to Calcutta would arise in the event of the introduction of the Calcutta-type mayor-in-council also in Madras having a centralised municipal administration.

The functions of borough committee assume importance because at this level definite obligations have been imposed without considering the question of administrative set-up to match these expectations. Similarly, the inter-relationships between the central municipal office and the borough would have to be clearly defined to ensure that the two-tier structure as envisaged in the new Calcutta Municipal Corporation Bill, 1980, works smoothly. The introduction of the Calcutta Municipal Corporation Bill, 1980, would have to be matched with other appropriate actions to reorganise the structural pattern of the Calcutta Corporation.

#### PROSPECTS FOR THE FUTURE

The idea of integrating the deliberative and the executive wings amongst the local bodies is not new in India. In smaller towns and cities, the elected chairman exercises the executive powers. Executive officers, as and when appointed in the municipalities with elected representatives, work under the direction of the municipal chairman.

In the rural areas, with the extension of panchayati raj system, a very large and complex developmental process has been vested with the elected representatives with full powers and the authority of management of development projects. In many of the states, the zila parishad handles large budget and manages developmental programmes involving several departments and disciplines working through the

executive wings headed by the chief executive officer functioning like the commissioner in the municipal corporations. The chairman of the zila parishad, like the corporation mayor, functions as the speaker of the council. The same scheme of executive organisation is followed in the anchal parishad and the gram sabha. Whereas some state governments have considered it prudent to vest the elected panchayat representatives with full powers of implementing their own developmental programmes; it has to be considered as to what deters them from following the similar course of action as in the metropolitan cities in the country, especially in the zila parishad.

The other factor in this case is the political considerations of having a municipal administrative set-up controlled by the state governments through its authority of appointing the commissioner on whom all the executive powers have been vested. The state governments have full authority to supersede all the elected municipal bodies in India. Financially all the municipalities are fully dependent on the state government both for their wages as well as for their development programmes. The question is why, despite the fact that state governments having full control over functioning of the municipal authorities, they are keen to keep on additional check by nominating an executive head free from the elected representatives.

The liberal ideas of Sir George Campbell, who visualised that "Bengali House of Commons" would evolve from local institutions such as the Calcutta Corporation, and his successor Sir Richard Temple who introduced a Bill between 1874 to 1877 "to replace the system of municipal administration by justices of peace with a largely rate-payer elected municipal corporation" were substituted by 1899 Act with considerable reduction in the percentage of elected representatives and increase in the number of nominated representatives justified on grounds of transacting business of the town "in a businesslike manner". The 1951 Act also introduced the office of the commissioner, appointed by the state government, who would be the kingpin of local government for Calcutta and not be subjected to control of the elected representatives. The underlying precept seems to be that the exposure to the elected representatives would seriously impair the administrative efficiency of the executive wing.

The major consideration connected with the question of introducing mayor-in-council is the political will at the state level. The functioning of the municipalities ultimately depends on the state legislature and state legislators have always been reluctant to confer executive powers on the elected representatives in the local authority set up in the larger cities. In a parliamentary democracy, this is clearly a reflection on the desideratum for a political executive. The Report of the Study Group on the Constitution, Powers and Laws of Urban Local Bodies and Municipal



Corporations considered the various forms of municipal governments, namely, the city manager plans (CMP), the strong mayor plan (SMP), and the mayor-in-council (MIC) plan. Both the CMP and the SMP are in operation in the USA with the largest cities more or less functioning under the SMP and the medium-size cities on the CMP. An independent source of statutory authority vested in the municipal commissioner in the municipal corporation set-up (and also replicated in the zila parishads) is a unique feature in India not prevalent in any other democratic country in the world.

The mayor-in-council relies more on collective responsibility and is somewhat similar to the cabinet form of government (though not its exact duplication). If the major city governments have to function as another level of government with definite powers and functions, as in the case of the state government, the attempt should be to confer such powers and authorities including financial autonomy to these city governments.

Thus the success or failure of an autonomous municipal government at the city level would depend ultimately on the political will of the party in power in a particular state and all other considerations would be secondary. Even while introducing the MIC system through the Calcutta Municipal Corporation Bill, 1980, the authority of the state government was not completely eradicated. The financial control and the authority to sanction scheme about a particular sum continue to be vested in the state government. Under such a system, the municipal governments would function at the mercy of the state governments and MIC system would be merely a superior form of administration arrangements.

### CONCLUSION

Summing up, therefore, the following points emerge:

- (i) That the debate between the good government and self-government in the city corporations is continuing since the last century is still relevant in Indian conditions;
- (ii) Historically the smaller towns in the country have been allowed much greater administrative autonomy where the integration of the political and the executive wings was introduced much earlier;
- (iii) The MIC system and its introduction would depend very much on the political will of the party in power in a particular state;
- (iv) The administrative structure of a particular city should be harmonious with the structure of the MIC system and the other functionaries as envisaged in the new Calcutta Municipal Corporation Bill, 1980;

- (v) Introducing the MIC system would have to be matched with the delegation of other powers, both financial and administrative; and
- (vi) The introduction of the Mayor-in-Council system is the logical extension of the idea of vesting executive powers on the elected representatives.

Over the last few years, a number of state governments have set up Municipal Finance Commissions to recommend a grants structure for the different municipal bodies and to evolve a system of sharing of revenue between state governments and the municipal bodies. In some cases, formation of regular Municipal Finance Commissions have been suggested. This coupled with the fact that some have suggested that municipal form of government should be included in the Indian constitution with allocation of subjects as in the State and Union Lists is an indication of a greater awareness about the need for introducing much greater level of autonomy in the municipalities and corporations. Enactment introducing the MIC system is just a beginning of the process. However, the enactments would have to be followed by other administrative actions including conferring greater financial and administrative authority. □

# *An Area-Based Property Tax in India: Advocacy for Reform in West Bengal*

ABHIJIT DATTA

THIS PAPER contains a case study of an abortive reform attempt to change the present system of property tax valuation in West Bengal during the first five years of the Left Front rule in the state during 1977-82. The case study is conceived in five acts, with a tragic ending and a fated hero, along with a prologue and an epilogue.

## PROLOGUE

### *The Problem*

Following the English system, municipal property taxation in India is based on gross annual rental value (ARV) obtained in a 'free' market. However, due to the operation of rent control in Indian cities, the free market has ceased to exist and valuations are to be based on 'fair rent' as prescribed under the rent control legislations. This has virtually frozen the property tax base, especially for old structures. Additionally, the legal requirement for valuing each and every property for tax purposes also is regarded as inconvenient from an administrative angle.

### *Practitioners' Response*

Apart from plain subterfuge of the legal requirements, there have been various administrative attempts to bypass the problem, e.g.: (i) derating of the base by increases in rates of taxation (Bihar, Bombay), (ii) valuing land on historic cost and applying a fixed percentage to derive the tax base, and standardisation of the structure value on the basis of a few characteristics mistakenly called as the capital value (CV) basis (Andhra Pradesh during 1965-70, Orissa, Assam), and (iii) standardisation of rents on the basis of neighbourhood zones (Kerala, Bombay, Bangalore). The change in the valuation base in Andhra Pradesh was introduced through a legislative amendment, but was dropped subsequently in view of a stay order by the high

Court. Similar attempts have been made wherever valuation is centralised (Assam and Orissa) without formally changing the legally mandated ARV method; presumably these are not tenable in law. Derating and rent standardisation have been effected by the municipal councils and their chief executives.

### *The Debate*

Assuming that rent control cannot be removed for political reasons and given the administrative predisposition for standardisation in valuation, suggestions have been made for an area-based or points system of valuation of property by replacing the ARV method. Essentially, this is a combination of valuation on the basis of structural and zonal characteristics on a per unit usable area basis. On the other hand, it has been pointed out that property valuation cannot be related to its usable area alone; if one introduces other criteria, like location, type of construction, age of the structure, etc., one is faced with the problem of fixing appropriate weights. The Layfield Committee in the UK (1976) dismissed this type of suggestion by observing that "there would be insurmountable difficulties in deciding the weight to be attached to the less tangible factors".

An area-based valuation system was conceived as a first step towards a formula for a computerised valuation which would obviate the need for empirically testing the valuation method in respect of individual properties in the municipal areas. This was the substantive concern underlying the academic debate that followed for a year during 1980-81. This debate was carried on through the pages of an academic journal, *Nagarlok*, and are now published together in a volume.<sup>1</sup> The protagonists for the area-based valuation system consisted of a practitioner and two consultants; the opponents were all academics.

In the following case study the substantive arguments used in the context of West Bengal essentially followed the all-India debate on the subject—and the debate itself was initiated in the context of proposed changes in West Bengal.

### ADVOCACY IN ACTION: CASE STUDY\*

#### *Act I: Initial Groundwork*

During the Congress(I) rule in West Bengal (1972-77), *Yogi* was acting as the unofficial adviser to the *Minister I* for municipal affairs. With his encouragement, *Yogi* organised a successful

<sup>1</sup>Abhijit Datta (ed.), *Property Taxation in India*, IIPA, New Delhi, 1983.

\*The names of the characters identified are fictitious; their identities, however, are real.

seminar in Calcutta during early 1976 which brought him into public light. The state went to the polls in 1977 and a new Left Front Ministry, headed by CPI(M), came to power. However, *Yogi* succeeded in retaining his advisory status with the new *Minister-II* as well. The issue of his status was raised in the state assembly by the opposition members led by the Congress(I), but the *Minister-II* defended the position and described *Yogi* as a non-partisan expert. *Yogi* directed his attention to the various ways of improving the finances of the Calcutta corporation and prepared a study in which he vaguely suggested the replacement of the existing rental basis of property tax by an area-based tax.

#### *Act II : The Maiden Moves*

*Yogi* visited Delhi to push his ideas, first in a national seminar and then to a committee appointed by the Central Council of Local Self-Government, in which the state secretary of municipal affairs was a member. With a little bit of lobbying, he succeeded in planting his ideas in the committee; unfortunately for him, its report was not formally adopted by the state ministers at the subsequent meeting of the Central Council.

During the next two years (1978-79) *Yogi* was intimately involved in three separate state-level activities—each of these were to be concerned with the question of property tax base, viz.: (a) creation of the central valuation board (CVB), (b) drafting of a new municipal legislation for Calcutta, and (c) setting-up of a municipal finance commission (MFC):

- (a) *CVB*: The CVB legislation was hurriedly drafted during 1978 by *Muni*, a state official with legislative background, to meet a condition of the World Bank Team for the second line of credit for metropolitan development in Calcutta. The CVB, however, came into being only in 1980, headed by the *Commissar* who was earlier responsible for drafting a legislation to create a new municipal corporation for Howrah. By the time the CVB was created, *Yogi* and *Commissar* fell out due to their differences on the contents of the Calcutta and the Howrah bills which they had just drafted. *Commissar* was later replaced by *Swamy* to head the CVB. *Yogi* started cultivating him and briefed him about the merits of the area-based property tax system.

- (b) *Drafting of the new Calcutta Bill, 1979-80*:<sup>2</sup> The new Calcutta

<sup>2</sup>A fuller account of the drafting of the two new legislations for Calcutta and Howrah has been recounted elsewhere. See, Abhijit Datta, "Municipal Reforms in India : Lessons from West Bengal", IIPA, New Delhi, July, 1983 (unpublished).

bill was drafted by *Yogi* in consultation with a drafting committee consisting of four state officials with himself acting as the convener. Realising the importance of smooth legislative passage and also to gain from the legislative experience of the CVB bill drafted earlier, *Yogi* arranged to have *Muni* as a member of the drafting committee. *Yogi* tried hard to convince the members of the drafting committee about the merits of his proposed area-based property tax; the idea was, however, opposed by two members of the drafting committee, viz., *Satyakam* and *Pourajan*. Since the issue would be considered by the MFC which the state government would be appointing soon it was considered unwise to introduce it in the legislation and presenting a *fait accompli* to the MFC.

- (c) *MFC*: The terms of reference of the MFC were prepared by *Satyakam*, while *Pourajan* was contacting the potential members of the MFC. It is known that the *Minister-II* himself suggested that *Yogi* could be a member of the commission. Initially, the MFC membership did not include *Satyakam* and *Pourajan*; at a later stage, however, both were to be its members—much to the dismay of *Yogi*.

### *Act III : The Ball Game*

The MFC decided to refer the issue of property tax base to a Delhi-based research institute—National Institute of Public Finance and Policy (NIPFP). The study was formally commissioned in October, 1980. Earlier the CVB also had appointed a firm of consultants, approved by the World Bank, to go into the same question. *Yogi* had offered himself as a consultant to the CVB, but this was not acceptable and an outside firm of consultants was retained for the purpose. At this stage, *Swamy* appeared before the MFC for a discussion. It was pointed out to him that the MFC was really concerned with policy questions, like property tax base, and the CVB might concentrate on its executive and quasi-judicial tasks in order to avoid jurisdictional conflicts. It was perhaps too late to ask for a cease fire at that stage and *Swamy* cold shouldered the suggestion. *Satyakam* was primarily responsible for sanctioning the CVB proposal for the appointment of its consultant. He was to be disillusioned in two months' time when he would see the CVB consultants' report.

### *Act IV : The Setback*

After the consultants' report was submitted, the CVB arranged a high-level seminar in Calcutta to have it endorsed. The report suggested the use of regression equations to arrive at an 'objective' valuation of property taxes. This was criticised in a paper submitted at the CVB

seminar in the following terms :

The main reason for doubting the efficacy of regressions to provide an acceptable method of property valuation is that a functional relationship between property values (whether one has in view annual rental value or capital value) and the factors which could legitimately be regarded as their determinant can be observed only where the rents are allowed to be determined freely in an open market. As is well known, the rental or real estate market in India is neither free nor open.... In the circumstances it is difficult to see how any meaningful functional relationship can be estimated from the observed figures of rent unless the sample from which the information is drawn is made up only of properties which are not subject to rent control.<sup>3</sup>

Contrary to the expectations of the organisers of the seminar, the consultants' report was rejected by the participants, including *Yogi Swamy* was thus left high and dry. The consultant's request for further funding of a public opinion poll on the prevailing level of rental was also turned down by the state government at the suggestion of *Satyakam*.

#### *Act V : Closing the Ring*

Copies of the CVB consultants' report were made available to the MFC with a rider to treat it as confidential. MFC had two options open to deal with the report: (a) to ask permission from the state government to use it, or (b) to consider and decide on its contents without mentioning it specifically in its report. MFC chose the latter course and, on a thorough examination of its contents, rejected the CVB consultants' report.

Towards the end of 1981 the MFC received the study on property taxation by the NIPFP. The study rejected an area-based valuation method essentially on three grounds : (a) absence of homogeneity in area characteristics in the municipal areas of the state, (b) with rent control in operation the owner's share of the tax would have to be assessed on the basis of 'fair rent', and (c) an area-based tax had been held to be violative of the equality provisions of the constitution.<sup>4</sup>

<sup>3</sup>Amarendra Bagchi, "Proposals for Using Regression Technique for Valuation of Properties for Municipal Taxation—A Comment", May 1981 (unpublished).

<sup>4</sup>West Bengal, *Report of the West Bengal Municipal Finance Commission (WBMFC)*, Supplementary Vol. II (Study on Property Tax Reform in West Bengal, by National Institute of Public Finance and Policy, New Delhi), Calcutta, 1982, p. 116.

MFC also held similar views, viz. :

There are good arguments in favour of a simple points system only where the assessed areas can be divided into homogeneous zones and where some simple criteria can be found. But, in a city like Calcutta the high-value sub-areas and low-value sub-areas are often so inextricably mixed-up that there may be either great inequity or there will have to be a large increase in the number of zones. The legal difficulties may continue, as long as there is rent control and the courts may not be satisfied that there is a reasonable classification under a points system. It should also be noted that if the legal validity of presuming a valuation or tax-base higher than the actual rent or 'fair rent' is admitted, many of the objections against the present system will disappear, making complicated arrangements unnecessary.<sup>5</sup>

By the time this decision was reached by the MFC it included both *Satyakam* and *Pourajan* as members. The die was thus cast and the MFC's final recommendation became a formality. Later, *Swamy* was replaced by *Muni* as the head of the CVB with active support and encouragement from *Yogi*. Even when he was sulking with the turn of the tide, *Yogi* was optimistic about his final victory at the stage of implementing the MFC report.

#### EPILOGUE

From the story just recounted, a few questions arise regarding the legitimacy of reform in municipal government through a net-work of extra-legal pattern of influencing the political leadership and the bureaucracy, such as:

- (a) *The cause*: how sound was it? did it carefully weigh the pros and cons of the proposal, including the unstated assumptions behind it? how the different actors evaluated the merits, or was it that all the protagonists took *(Yogi)* at his word? Who were the potential gainers and losers in the bargain?
- (b) *The motives*: (i) what motivated *Yogi*: was he acting on his own or for an interest group? was power the motive force? did he assume the role of an altruist? (ii) what motivated the state bureaucracy: pleasing the minister or the World Bank team? improving their career prospects? helping a case for which they had genuine sympathy? returning favours?

<sup>5</sup>WBMFC, *Report, op. cit.*, para 7.14.9.



- (c) *The 'modus operandi'*: what was the hurry to finalise the new municipal legislations drafted in secrecy? was the MFC appointed essentially to endorse *Yogi's* ideas? why the CVB was allowed to undertake a parallel report when the MFC was seized with the issue? why were the CVB chairmen changed so frequently, and at whose instigation? □

## *Urbanisation in Gujarat*

K.R. PICHHOLIYA

**A**N OUTSTANDING feature of the Gujarat economy in the recent past has been the process of urbanisation. The 1981 census has indicated its rapid pace. In 1981, 31.08 per cent of the total Gujarat population was urban. The state ranks third in urbanisation among all the states of India. Only Maharashtra has a percentage of 35.03 and Tamil Nadu with a percentage of 32.18 has higher urbanisation than Gujarat. However, the decadal growth rate of Gujarat's population is the second highest in the country. The expert committee on population projection appointed by the Planning Commission and headed by the Registrar General of India, has worked out the projected percentage of urban population to total population of Gujarat for 1981 and 1986. According to these figures the urbanisation in Gujarat in 1981 was supposed to be 30.02 per cent and that in 1986, 31.07 per cent. Thus the projection worked out for 1986 has already been achieved in 1981 which shows the rapid rate of urbanisation in the state. The process of urbanisation and urban growth, particularly during the 1971-1981 decade, in Gujarat on the basis of the recent 1981 census data and need for formulating a coherent and consistent urban development policy are worth examining.

Let us first analyse the process of urbanisation. Urbanisation is a complex process. The varied causes and consequences of urbanisation further add to its complexity. Till 1961 census there had been no uniformity in the past census on the definition of a town. In view of the increasing importance of studying urbanisation in its different aspects, the Registrar General of India in 1961 census, emphasised the need for a uniform treatment by strictly defining the concept of a town. Thus in 1981 census, the following criteria were adopted for treating a place as 'urban' :

1. All places where there is a Municipal Corporation or a Municipality or Notified Area or a Cantonment Board;
2. The remaining places were determined as 'urban areas' only if

the following conditions were fulfilled :

- (a) The estimated population at 1981 census should be at least 5000 persons ;
- (b) The density of population per kilometre should not be below 400 ; and
- (c) 75 per cent of the male working population should follow non-agriculture pursuits.

The growth of urban population between 1901 and 1981 in Gujarat is given in Table 1. Fivefold increase took place in the state's urban population between 1901 and 1981. The urban population increased from 20.3 lakh persons in 1901 to 105.5 lakh persons in 1981. The percentage of urban population to total population increased from 22.3 in 1901 to 31.08 per cent in 1981. However, during 1901-1911 decade, there was appreciable fall in the urban population in the state due to natural calamities. The pace of urbanisation was rapid in 1961-1971. During this period, the urban population in the state showed a variation of 41 per cent. This phenomenon could be attributed to the faster economic development in the state during the decade.

TABLE 1 GROWTH OF URBAN POPULATION AND PERCENTAGE  
DECADAL VARIATION IN GUJARAT, 1901-1981

Decade	(Population in lakhs)				
	Total		Urban		Percentage of Urban Popula- tion to Total Population
	Population	Percentage Decade Variation	Population	Percentage Decade Variation	
1901	90.9	—	20.3	—	22.3
1911	98.0	+ 7.8	18.8	— 7.1	19.2
1921	101.7	+ 3.8	20.5	+ 8.7	20.1
1931	114.8	+12.9	23.5	+14.9	20.4
1941	137.0	+19.3	32.5	+38.4	23.7
1951	162.6	+18.7	44.2	+35.8	27.2
1961	206.3	+26.9	53.1	+20.1	25.7
1971	266.9	+29.4	74.9	+41.0	28.1
1981	339.6	+27.2	105.5	+40.1	31.08

SOURCE : 1. *Census of India 1971* (Gujarat); Pocket Book of Population Statistics, pp. 10-12.

2. For 1981 data, *Census of India 1981*, Series—5 (Gujarat), Paper 1 of 1981 supplement.

Till 1961, the industrial economy of Gujarat state rested primarily on the textile industries. The exploration of oil fields and the setting

up of the refinery, fertiliser complex and several industrial estates all over the state paved the way for the faster industrial development. Further, due to government's liberal policy towards finance and making available the basic infrastructural facilities both in the public and private sectors, the economic base in the state expanded quickly. The agricultural development that took place during the past 10 or 15 years further accelerated the pace of urbanisation in the state. The urban population in Gujarat has almost doubled during the last two decades, i.e., 1961 to 1981 as against the total population increase of about 65 per cent during the same period.

During the last eight decades there has not been any significant increase in the number of towns or urban centres in the state. In 1901 there were 165 towns, which increased to 220 in 1981. Thus only 55 new places acquired the status of 'urban' during 1901-1981 (see Table 2). Between 1901 to 1931 only 5 towns were added. However, during 1931-1941 decade there was a sudden spurt in the number of towns and the total number of towns increased to 189. The number of towns during 1941-1951 increased by 44 making the total to 233. But between 1951-1961 the number of towns declined to 175. This was due to change in the definition of towns in 1961 census. By 1981, the number of towns increased to 220.

TABLE 2 NUMBER OF TOWNS BY SIZE OF TOWNS IN GUJARAT DURING 1901-1981

Size of Towns	Year									
	1901	1911	1921	1931	1941	1951	1961	1971	1981*	
I 100,000+	3	2	2	2	4	6	6	7	13	
II 50,000 to 99,999	2	2	2	3	4	5	10	18	23	
III 20,000 to 49,999	13	14	13	19	24	34	40	42	46	
IV 10,000 to 19,999	40	31	34	39	42	38	53	73	76	
V 5,000 to 9,999	60	58	61	70	78	118	58	71	53	
VI Less than 5,000	47	47	53	37	37	32	8	5	9	
TOTAL	165	154	165	170	189	233	175	216	220	

\* The towns included in the Urban Agglomeration have been shown in the size class of their parent urban agglomeration.

SOURCE: 1. *Census of India 1961*, Vol. V (Gujarat) Part I-A.

General Report, p. 365, Government of Gujarat.

Approach paper on the Fifth Plan 1972.

2. For 1981 Data: *Census of India 1981*, Series 5, (Gujarat).

However, urban centres in the state have undergone structural changes during 1901-1981 period. During 1961-1971 only one town

was added in size class I, while in 1971-1981 decade four new towns were added in this category. Besides, two places were included in this size class due to growth of agglomeration. In 1971 class I towns were 7 in number. Now their number reached to 13. This indicates a very rapid growth of big cities and their surrounding areas. The number of towns increased in all size class of towns except in class V during the decade 1971-1981.

The size of towns may be one index of the quality of urbanisation in the state. Therefore, it is worthwhile to see the proportion of urban population accounted for by each size class of towns. According to 1981 census, 57.92 per cent of the total urban population in the state is living in the 13 class I towns (including two urban agglomeration places). This means that about 58 out of every 100 persons living in the towns of the state live in one or other of the 13 cities in the state whose population exceeds one lakh whereas the remaining towns of all size classes together contain only 42 per cent of the total urban population.

Further analysis of data reveals a distinct overall tendency towards decrease in the percentage of urban population residing in class II to class VI towns (see Table 3).

TABLE 3 PERCENTAGE OF URBAN POPULATION IN EACH SIZE CLASS OF TOWNS TO TOTAL POPULATION IN GUJARAT DURING 1971-1981

Size of Towns	Year	
	1971	1981
Class I	45.10	57.92
Class II	15.66	14.53
Class III	17.71	13.37
Class IV	14.04	10.23
Class V	7.20	3.74
Class VI	0.29	0.21
TOTAL	100.00	100.00

Table 3 shows that there has been a decrease in the percentage of population from the previous decadal year in size class of II to VI towns. This state of affairs reveals that in 1971-81, larger towns specially class I towns steadily gained in population reflecting a tendency towards larger urban agglomeration. In other words, big cities/towns become bigger. The proportion of population of each city/urban agglomeration to total urban population of the state is provided in Table 4.

TABLE 4 CITY/URBAN AGGLOMERATIONWISE CONTRIBUTION TO TOTAL URBAN POPULATION OF THE STATE

<i>City</i>	<i>Proportion of Population of City to Total Urban Popula- tion (per cent) of the State (1981 Census)</i>
Ahmedabad Agglomeration	23.83
Surat Agglomeration	8.64
Vadodra Agglomeration	7.05
Rajkot	4.21
Jamnagar Agglomeration	3.00
Bhavnagar Agglomeration	2.92
Nadiad	1.35
Porbandar Agglomeration	1.26
Wadhwan Agglomeration	1.24
Navsari Agglomeration	1.22
Junagadh Agglomeration	1.14
Bharuch Agglomeration	1.06
Patan Agglomeration	1.00

From Table 4 it is noticeable that among the cities in the Gujarat state, Ahmedabad agglomeration has contributed the maximum proportion of urban population of 23.83 per cent. Out of 13 city/urban agglomeration classified as cities, Ahmedabad continues to have a predominant position. Vadodra and Surat agglomeration contribute 15.69 per cent of the urban population to total urban population of the state. Remaining 10 agglomeration cities together contribute only 18.40 per cent of the total urban population of Gujarat.

The urbanisation trend in Gujarat particularly during 1971-1981 reveals that there was at least 38 urban centres which recorded an increase of 50 per cent or more in their population during the decade (Table 5) while in previous decade there were only 16 places which registered growth in population of more than 50 per cent. There were varying factors of such a spectacular growth for each individual units.

Jetpur showed a record growth of 1476.47 per cent during 1971-1981 decade. This is mainly due to out growth of Jetpur city which is famous for its 'Bandhni' hand printing saree industry. Bagefirdos and Khokhra-Mehmadabad urban agglomeration of Ahmedabad city recorded 1120.73 and 1043.21 per cent growth respectively. This is so because of out growth of these two centres due to coming up of several industrial units. Next to this in rank comes again the places of Ahmedabad city agglomeration, namely, Rakhial and Asarva more or less for the same reasons as is for

Bagefirdos and Khokhra-Mehmadabad. In fact all the 11 places of Ahmedabad city agglomeration recorded very high growth rate (see Table 5). Because of the extensive out growth of Ahmedabad city into the limits of the neighbouring towns and villages resulted into a vast agglomeration. Udhana, Junagadh, Dhoraji and Ankaleswar have developed rapidly during the decade mainly due to industrial expansion in these places. Gandhinagar has recorded an urban growth

TABLE 5 RAPIDLY GROWING TOWNS OF GUJARAT: 1981

	Population 1981	Growth Rates	
		1961-71	1971-81
CLASS I			
<i>Ahmedabad Urban Agglomeration</i>			
Asarva OG	10004	—	+ 790.83
Rakhial OG	14299	—	+ 859.66
Raipur Hirpur OG	5124	—	+ 163.44
Bagefirdos OG	19141	—	+ 1120.73
Khokhra-Mehmedabad OG	1852	—	+ 1043.21
Sahijpur Bogha M	69244	+ 50.43	+ 114.38
Naroda NP	44347	+ 5.40	+ 78.51
Odhav NP	30404	—	+ 172.10
Nikol VP	20516	—	+ 202.37
Ranip VP	35475	+ 99.43	+ 238.44
<i>Surat Urban Agglomerations</i>			
Surat city	776004	+ 51.05	+ 61.80
Surat M. Corp.	775711	+ 53.85	+ 61.74
Udhana NP	47902	—	+ 257.91
<i>Vadodra Urban Agglomerations</i>			
Vadodra M. Corp.	733656	+ 50.94	+ 56.94
<i>Jamnagar Urban Agglomerations</i>			
Railway Colony OG	4556	—	+ 83.36
Port Area OG	824	— 56.09	+ 63.17
<i>Bhavnagar Urban Agglomerations</i>			
Ruva Port OG	1521	—	+ 146.92
<i>Porbandar Urban Agglomerations</i>			
Chhaya VP	18147	—	+ 84.31
<i>Navsari Urban Agglomeration</i>	129122	+ 26.76	+ 61.20
<i>Junagadh Urban Agglomeration</i>			
Junagadh OG	1770	—	+ 326.51
CLASS II			
<i>Valsad Urban Agglomeration</i>			
Mogarwadi OG	8933	—	+ 68.13
Nanakwada OG	4251	—	+ 157.17
<i>Dhoraji Urban Agglomeration</i>			
Dhoraji OG	1160	—	+ 277.85
(Contd.)			

(Contd.)

	Population 1981	Growth Rate 1961-71      1971-81	
<i>Jetpur Urban Agglomeration</i>			
Jetpur OG	268	—	+ 1476.47
Gandhinagar NA	62249	—	+ 158.78
Gandhidham M	61382	+46.43	+ 58.10
Upleta M	54922	+27.93	+ 55.47
Botad M	50263	+22.97	+ 56.20
CLASS III			
Ankaleswar OG	4837	—	+ 244.03
Mangal OG	3638	—	+ 179.85
Kadi OG	702	—	+ 62.88
Keshod NP	32042	+56.28	+ 63.37
CLAASS IV			
Thangadh NP	18586	+56.00	+ 53.67
Khedbrahma VP	14741	—	+ 66.41
Jafrabad VP	13450	+12.04	+ 56.68
Tharad VP	13352	+10.51	+ 59.69
Songadh VP	12163	—	+ 69.73
Talala VP	10960	+53.12	+ 62.56

The following abbreviations have been used in this table to describe the civil status of the towns :

- M. Corp. = Municipal Corporation
- M = Municipality
- NP = Nagar Panchayat
- VP = Village Panchayat
- NA = Notified Area
- OG = Out Growth.

rate of 158.78 per cent which is mainly due to the special development of Gandhinagar town, the capital of the state. The growth of Mogarwadi and Nanakwada of Valsad urban agglomeration is also remarkably high because of their location for various tribal developmental activities undertaken by the government. Bhavnagar's Ruva port developed mainly due to rapid progress of the port by planned efforts made in the decade to develop the port for the larger interest of the state as well as the country. Porbandar, Navsari, Junagadh and Bharuch acquired the status of class I towns in 1981. They have population of 115,398, 106,664, 118,302 and 109,935 respectively. Navsari is the smallest of class I cities in the state.

Fortyeight places got the status of town for the first time in the 1981 census in Gujarat. Table 6 gives their names and population. During the last decade one or more places of 11 districts out of 19 districts of



the state, got the status of town. Surat district had the highest number of new towns followed by Ahmedabad, Valsad and Vadodra.

Now let us see the regional distribution of urban centres. Towns are not evenly distributed on the map of Gujarat. For the study of dispersal of urban places, Gujarat state could be divided into five regions namely: (i) North Gujarat, (ii) Central Gujarat, (iii) South Gujarat, (iv) Saurashtra, and (v) Kutch.

TABLE 6 NEW TOWNS IN GUJARAT, 1981—AREAS CLASSIFIED AS 'URBAN' FROM 'RURAL' DURING 1981 CENSUS

<i>District</i>	<i>Names of Towns and their Population</i>				
	(INA)	(INA)			
Ahmedabad (10)	Naroda, (3616)	Odhav, (3324)	Vejalpur, (45759)	Vastrapur, (4922)	Memnagar, (6258)
	Guatlodia, (15973)	Guodasar, (12045)	Isanpur, (12278)	Kali, (20437)	Vatva, (367)
				(INA)	
Vadodra (7)	Tarsali, (10387)	Chhani, (13382)	Bajwa, (9232)	Petrochemical Complex, (7262)	
	Kovant, (5737)	Jetpur (Pavi), (5198)	Nandesari, (1066)		
		(INA)			
Broach (1)	Ankaleswar (40962)				
				(INA)	
Bulsar (9)	Kosamba, (7777)	Devsar, (6350)	Parnera, (6303)	Vapi, (6143)	Mahuvar Sari, (5832)
		(INA)		(INA)	
	Bujarang, (5776)	Umbergeon, (9956)	Valsad, (82528)	Vijalpor, (12191)	
				(INA)	
Kheda (2)	Dhuwaran, (7428)	Vithal-Udyognagar, (1892)			
Mehsana (1)	Beecharaji (6694)				
S K. (2)	Meghraj, (6452)	Malpur, (4698)			
Surat (11)	Karanj, (36450)	Nana Varachha, (6543)	Umra, (5832)	Limbayat, (27749)	Bhedvad, (5341)
				(INA)	
	Bhestan, (6747)	Dindoli, (9143)	Utran, (6377)	Sayan, (5244)	Pandesara, (916)
Bhavnagar (2)	Kadod, (6715)	Dhola, (5370)			(9791)
Jamnagar (2)	Navagam Ghed, (9695)	Digvijaygram, (7034)			
Junagadh (1)	Dungarpur (5415)				

NOTE: INA=Industrial Notified Area.

The Central Gujarat comprising Ahmedabad, Kheda, Gandhinagar and Panchmahals districts is the most urbanised region in the state. This region accounted for nearly 35 per cent of the total urban population of the state although it has only 39 urban places out of 220 urban centres of the Gujarat. The most important cluster that has emerged in this region is around Ahmedabad city. Its central location enabled it to develop into a flourishing centre for industry, trade, commerce and transport. The Ahmedabad city alone accounts for as high as 68.49 per cent of the urban population of this region. Another cluster that has developed in this region is around Nadiad and Anand towns in the fertile Charutar tract of the Kheda district.

Next comes the Saurashtra region which comprises Jamnagar, Rajkot, Bhavnagar, Surendranagar, Junagadh and Amreli districts. This region claimed 30 per cent of the state's urban population. The region shows urban development along coastal areas and in some of the agriculturally advanced tracts. Urban development is rather heavily concentrated around Bhavnagar and Jamnagar, the capital cities of the former princely state. Likewise, the fertile groundnut producing area in the Rajkot, Junagadh belt has accelerated urban development in the region. This region has 85 urban centres (see Table 7) including 6 class I cities. South Gujarat region covers Vadodra, Bharuch, Surat, Dangs and Valsad districts. This region has 59 urban places including 4 class I cities and covers 25 per cent of the total urban population. The urban concentration has been around Surat and Vadodra cities. The location of the Gujarat State Fertiliser Corporation, Indian Petro Chemicals Ltd., besides a variety of industrial and engineering units, Vadodra Silk and Textile mills and industrial estate in Surat and being on the Delhi-Bombay main railway route

TABLE 7 REGIONAL DISPERSAL OF TOWNS IN GUJARAT  
DURING 1971-1981

Region	Number of Towns				Population (in lakhs)			
	Number		Percentage of total		Population		Percentage of the total	
	1971	1981	1971	1981	1971	1981	1971	1981
North	28	27	13.0	12.3	6.15	8.02	8.2	7.6
Central	48	39	22.2	17.7	26.69	36.72	35.6	34.8
South	44	59	20.4	26.8	16.49	26.42	22.0	25.0
Saurashtra	85	85	39.3	38.6	23.46	31.65	31.3	30.0
Kutch	11	10	5.1	4.6	2.17	2.74	2.9	2.6
TOTAL	216	220	100.0	100.0	74.96	105.55	100.0	100.0

are few factors responsible for the rapid growth of urbanisation of this region.

North Gujarat consists of Banaskantha, Sabarkantha and Mehsana districts. This region has 27 urban centres and accounted for only 7.6 per cent of the total urban population of 1981. The growth had been mainly around Mehsana. Agricultural development in this region has given rise to a number of agro-based industries and ancillary engineering units.

It will not be out of place if the development which has taken place during the last decade in the regional dispersal of towns are taken special note of. The number of towns in North, Central Gujarat and Kutch region declined from 28, 48, and 11 in 1971 to 27, 39 and 10 in 1981 respectively. It is of interest to note that the number of towns in Saurashtra has remained the same (85) in 1971-81 decade but the percentage of population residing in the towns came down from 31.3 per cent in 1971 to 30 per cent in 1981. South Gujarat added as many as 15 towns on its map in 1981 and gained by 3 per cent in the total urban population over 1971 census. All regions except South Gujarat registered fall in the percentage of urban population as compared to 1971 census. In this context, we can conclude that the regional development taking place in South Gujarat specially near Surat region and the Narmada Project needs early preparation for proper future urban development.

The Kutch region has only 10 urban places according to 1981 census and comprises only one district, *i.e.*, Kutch, although it has 23.27 per cent of the total state geographical area. The process of urbanisation in the region has just begun mainly around the Kandla Port.

The regional distribution of urban centres in the state highlights that urban development has followed industrial and economic development in the respective regions. Large-scale exodus from the surrounding rural areas, on the one hand, has given rise to new urban centres, on the other hand, it has boosted the population of the individual areas. Bigger cities have out-grown their population size and given rise to the problems of adequate essential civic amenities like housing, water supply, sanitation, education, medical and health, transport, etc.

The problem of providing minimum essential social services to the urban population is being multiplied before the needs are estimated. Undisputedly it is due to the unplanned and unrestricted growth of urban centres. It is the feeling of the urban economists, that there are fair chances of aggravating the situation further. What is required is to adopt a realistic policy of urban planning.

The thrust of the future urban policy should be to check the growth

of metropolitan cities and bringing out an integrated development of the medium and small towns. This can be achieved through greater emphasis on the development of infrastructural and other facilities and equipping them to act as growth centres for the rural hinterland. To restrict the growth of population in the larger urban agglomeration efforts should be directed to create towns with smaller population by locating new industrial towns and development projects amidst rural population. Such projects must provide employment opportunities to local people and prevent their migration to large towns in search of better employment, etc. The pattern of urbanisation, therefore, should be on the derived lines and direction based on the strategy of regional/spatial urban development planning. □

## *Size, Growth and Structure of Cities in Gujarat\**

K.V. CHITHARANJAN

INTERPRETATIONS OF the inter-relationships between size, growth and structure of urban centres take many forms. If city is conceived predominantly as a location for industry, its optimal and actual size responds to technological changes affecting industries and the requirements of the industrial labour force. Obviously, congregation of people and activities in a given geographical location results in agglomeration economies. These agglomeration economies are the driving force behind further accumulation of activities. If the capacity of attracting and expanding industry is a primary determinant of urban growth, a city may continue to grow fast by re-adjusting its spatial structure in a manner which enables it to absorb new industries efficiently. The stronger the interlinkages of production, the more likely will firms in such industry seek an urban location. Thus it has been observed "that more and more industries are clustering into mutually supporting complexes, based on input-output linkages and access to shared ancillary services, and that larger industrial complexes imply larger manufacturing centres".<sup>1</sup>

The objective of this paper is to examine the pattern of the growth of manufacturing employment in the urban centres in Gujarat in relation to the structural and spatial changes occurred during the seventies. An attempt to map out these changes helps in identifying the inter-relationships between size, growth and structure of cities in the fast growing industrial region.

\*The author wishes to acknowledge the useful suggestions and comments from Dr. K.K. Subramanian, Professor, Sardar Patel Institute of Economic and Social Research, Ahmedabad.

<sup>1</sup>Harry W. Richardson, *Regional Economics*, London, Weidenfeld and Nicolson, 1969.

URBANISATION IN GUJARAT

Gujarat is the third highest urbanised state in India and it has retained its relative position over time. The state had 31 per cent of its population living in 220 urban centres of various size class in 1981. The degree of urbanisation is on an increase overtime in Gujarat, even though its relative increase compared to the country has decreased in the seventies over the sixties. During the sixties, the degree of urbanization increased by 1.93 per cent points for the country as a whole, while in Gujarat this increase was of the order of 2.32 per cent points. Corresponding figures for the seventies were 3.82 for the country as a whole and 2.99 for Gujarat. The rates of urbanisation in Gujarat for the sixties and seventies were 41 per cent and 40.82 per cent respectively, thereby indicating a marginal decline in the rate in the seventies over the sixties.

The spatial dimensions of urbanisation in Gujarat reveals that urban centres in the class have grown at higher than average rates over time, have registered the highest rates of growth compared to other size-classes in the sixties and the seventies. All size-class of towns have shown positive rates of growth overtime, while declining trends in the growth rates were observed in the case of class I and class II towns in the seventies compared to sixties. Thus in 1981, the class I and class II towns together accounted for 16 per cent of the towns while accounting for 72 per cent of the urban population. The concentration of urban population is all the more evident in the case of class I cities, whose share of urban population has been on an increase since 1961.

MANUFACTURING EMPLOYMENT IN GUJARAT  
1971-1980

The seventies has witnessed spectacular growth in manufacturing employment in Gujarat. The number of persons employed in the registered factories nearby doubled and the pattern of employment also witnessed structural changes as between 1971 and 1980 (see Table 1). Although the traditional industry—cotton textiles—still dominated the structure of manufacturing in the seventies with a share of 38 per cent to total employment, over the decade its relative share declined by 10 per cent giving way to the increasing importance of modern industries, such as chemical and chemical products, machinery and machine tools, etc. These structural changes in the pattern of industries have had the influence on the growth, size and structure of cities in the state.

TABLE 1 GUJARAT: STRUCTURAL CHANGES IN MANUFACTURING INDUSTRIES -1971-1980

Classification Code	Per cent Employed		Employment Change		Deviation from the State's Growth Rate
	1971	1980	Per cent Change	Per cent Growth Rate	
20 Food Products	4.22 (18.34)	5.56 (35.52)	1.34	93.68	46.78
21 Oil and Starch	4.15 (18.03)	3.04 (19.40)	-1.11	7.61	-39.29
22 Beverages, Tobacco and Tobacco Products	1.82 (7.91)	1.25 (7.96)	-0.57	0.75	-46.15
23 Cotton Textiles	47.96 (208.42)	37.91 (242.03)	-10.05	16.12	-30.78
24 Wool, Silk and Synthetic Fibre-Textiles	4.29 (18.65)	5.75 (36.69)	1.46	96.72	49.82
26 Textile Products	0.50 (2.15)	1.21 (7.73)	0.71	259.08	212.18
27 Wood and Wood Products	1.04 (4.52)	1.07 (5.86)	0.09	51.63	4.73
28 Paper and Paper Products	2.41 (10.47)	2.97 (18.93)	0.56	80.93	34.03
29 Leather and Fur Products	0.14 (0.60)	0.19 (1.22)	0.05	104.55	57.65
30 Rubber, Plastic Petroleum and Coal Products	1.23 (5.33)	2.65 (16.91)	1.42	217.19	170.29
31 Chemical and Chemical Products	5.72 (24.85)	9.17 (58.53)	3.45	135.57	88.67
32 Non-metallic Mineral Products	6.92 (30.14)	6.85 (43.72)	-0.08	45.08	-1.82
33 Basic Metal and Alloy Industries	1.97 (8.54)	2.94 (18.74)	0.97	119.37	72.47
34 Metal Products and parts	3.19 (13.88)	4.09 (26.14)	0.90	88.36	41.46
35 Machinery and Machine Tools	5.68 (24.70)	7.08 (45.19)	1.40	82.95	36.05
36 Electrical Machinery, Appliances	1.93 (8.41)	2.19 (13.97)	0.26	66.24	19.34
37 Transport Equipment and parts	1.72 (7.47)	1.35 (8.61)	-0.37	15.35	-31.55
38 Other Manufacturing Industries	1.31 (5.69)	0.97 (6.17)	-0.34	8.49	-38.41
40 Electricity	0.90 (3.93)	0.91 (5.78)	0.01	47.12	0.22
97 Repair Services	2.44 (10.61)	2.48 (15.84)	0.04	49.25	2.35
Others	0.45 (1.97)	0.50 (3.17)	0.05	60.76	13.86

Figures in bracket show employment in '000s.

SOURCE : Computed from the Office of the Chief Inspector of Factories, Ahmedabad.

## SPATIAL DISTRIBUTION OF MANUFACTURING INDUSTRIES

In Gujarat, the urban centres with a population of one lakh and above increased from eight in 1971 to thirteen in 1981. The eight cities accounted for 60 per cent of the total manufacturing employment in the state in 1971, which declined to 48 per cent to the state's total manufacturing employment in 1980. The change accounted for 12 per cent decline on relative terms, even though, in absolute terms, manufacturing employment increased by about 17 per cent during the same period. The five cities which attained class I status in 1981 had a share of 4 per cent in the total manufacturing employment in the state in 1971. This increased to 5 per cent in 1981. The relative change accounted for 72 per cent growth in manufacturing employment in the seventies. The trend indicates more dispersal of manufacturing employment to the lower order settlements in the state (see Table 2).

TABLE 2 SPATIAL CHANGES IN MANUFACTURING INDUSTRIES IN GUJARAT : SHARES BY CLASS I CITIES—1971-80

Sr. No.	City	Per cent Share of Industrial Employment		Employment Change (1971-1980)		Deviation from State's Growth Rate (Per cent)	Net Gain/ Loss (Number)
		1971	1980	Per cent Change	Per cent Growth Rate		
1.	Ahmedabad	38.09	33.12	-4.97	27.75	-19.15	45938
2.	Surat	4.12	5.73	1.61	104.51	57.61	18692
3.	Vadodara	8.43	5.51	-2.92	-3.93	-50.83	-1440
4.	Rajkot	1.72	0.76	-0.96	-34.88	-81.78	-2608
5.	Jamnagar	1.87	0.17	-1.70	-86.83	-133.73	-7043
6.	Bhavnagar	2.50	0.21	-2.29	-87.30	-134.42	-9493
7.	Nadia	1.66	1.23	-0.43	8.91	-37.99	641
8.	Porbandar	1.53	1.09	-0.44	4.10	-42.80	273

SOURCE : Computed by the author from the Office of the Chief Inspector of Factories, Ahmedabad.

However, four large cities (Vadodara, Rajkot, Jamnagar and Bhavnagar) experienced negative growth rates in industrial employment while four cities (Ahmedabad, Surat, Nadiad and Porbandar) experienced positive deviations from the state growth rate. Among the newly added cities, only Wadhwan experienced negative growth rate while four cities (Navsari, Junagadh, Bharuch and Patan) experienced



positive growth rates. Cities which experienced the greatest decline of more than 100 per cent below the state growth rate include Jamnagar and Bhavnagar.

Despite the decline in industrial employment, these cities have grown in size over time. The phenomenon could be explained partly by the growth of settlements around the large cities like Vadodara. The new settlements are mainly industrial in character; growing outside the legal boundary of the city yet taking advantage of the economies of agglomeration. A dispersal mechanism of this sort will essentially disperse activities over space but the dependency of the settlements on the city for the day to day needs results in the growth of the city. However, dependency overstrains the resources and infrastructure of the main city, which ultimately defeats the very objectives behind the dispersal policy.

The above analysis casts doubt on the general notion that size influences largely the economic structure of cities. The observed phenomenon reveals that the economic structure of cities can vary widely between cities of the same size as well as between cities in separate size classes. The question is whether economic structure varies systematically with city size, and whether size is a determinant—this is due to size *per se* or because size stands as a surrogate for other variables. The existence of agglomeration economies may be a major force in which the impact of city size is felt so that the attraction of cities for industries could be an element in assessing the economic advantage of cities. But not all industries are attracted to all cities alike. The interpretation of the advantages of cities may vary from one industry to another. Further, the relative advantages of cities may change overtime where size will be one of the determinants of these advantages and not necessarily the only use.

#### DIVERSIFICATION/CONCENTRATION AND SPECIALISATION/ RELATIVE CONCENTRATION OF CITIES

However, there are controversies as to whether the large cities exhibit more of diversification with respect to industrial structure. An analysis of diversification/concentration of the internal structure and specialisation/relative concentration of the cities should throw some light on it. To facilitate the analysis, the following measures have been chosen;

1. Diversification/concentration : Proportion of labour force in three largest industries.<sup>2</sup>

<sup>2</sup>A value of 100 indicates that all the labour force in the industries of a city is concentrated in three or fewer industries.

2. Specialisation/relative concentration : Location quotient indices.<sup>3</sup>

In this analysis, specialisation "is the extent to which the economic structure of a city or region differs from that of a bench mark".<sup>4</sup> The bench mark is critical and in this case the bench mark has been the characteristics of all cities in the study. Alternatively, "the index may be one of internal diversity or the extent to which a city's labour force is internally concentrated".<sup>5</sup>

Table 3 shows the values computed for these two measures. The first set of values measures diversification/concentration and indicates the values in most of the cities declining in 1980 over 1971 suggesting a general trend towards diversification of the economic structure as the cities grow in size over time.

TABLE 3 DIVERSIFICATION/CONCENTRATION AND SPECIALIZATION/RELATIVE CONCENTRATION IN CITIES-1971-80

Sr. No.	City	Percentage of Labour Force in three largest Industries		Location Quotient	
		1971	1980	1971	1980
(1)	(2)	(3)	(4)	(5)	(6)
1.	Ahmedabad	82.54	79.14	6.79	5.91
2.	Surat	71.85	69.77	27.49	26.69
3.	Vadodara	56.63	54.04	28.43	26.30
4.	Rajkot	60.40	72.35	34.94	32.09
5.	Jamnagar	53.72	59.45	43.97	52.14
6.	Bhavnagar	61.04	95.26	27.21	54.97
7.	Nadiad	77.56	77.13	23.17	18.13
8.	Porbandar	72.51	58.86	29.72	37.4

The cities which experienced absolute gain in industrial employment during the period 1971-80 had shown more of diversification.

<sup>3</sup>The value computed is the sum of all industries with location quotients greater than one. To the extent that an area contained significantly greater proportions of an industry than the bench mark, it is assumed to be specialised in that industry.

<sup>4</sup>P.S. Florence, *Industrial Location and Natural Resources*, Washington (UK), National Resources Planning Board, 1938.

<sup>5</sup>B. Parr John, "Specialization, Diversification and Regional Development", *The Professional Geographer*, November, 1965.

In those cities with an absolute loss of industrial employment (excluding Vadodara) the respective values have shown substantial increase during 1971-80: Vadodara had experienced decline in the respective values, even though industrial employment declined overtime. Concentration was very conspicuous in the case of Rajkot, Jamnagar and Bhavnagar. These were the three cities worst hit by loss of industrial employment in 1980 over 1971. Hence, it could be stated that the high rate of concentration in certain cities overtime is due mainly to loss of employment in certain industry groups rather than shift of employment between different industry groups.

Location quotient indices show decline in specialisation in the largest four cities of Gujarat in 1980 over 1971. Further, one city Nadiad has also shown less specialisation in the study period. The remaining three cities have experienced more of specialisation in 1980 than in 1971. It seems that a city's specialisation in industries is more a function of the type of industries that constitute the economic structure of the city than the total work force in industrial sector. Further, various cities enjoy advantages at different scale and these advantages could not be interpreted on a uniform scale to industries; possibility of establishment of different industry types in cities of varying size cannot be ruled out. The growth and decay of industries in cities of varying size need to be looked through a frame work of inter-industry linkages operating within the cities.

#### CITYWISE INDUSTRIAL CHANGE : A SHIFT SHARE ANALYSIS

Now let us examine the pattern of change of economic structure of the cities in the framework of a shift share analysis. The technique offers a systematic method of separating out the national contribution of regional growth performance from the specific intraregional impacts.<sup>6</sup> The shift share technique begins with the premise that growth in a given economy is attributable to three main components: national growth (regional share); industrial structure or mix (proportional shift) and regional competition (differential shift).

<sup>6</sup>The technique has been widely used in the analysis of regional space economies in the following works :

- (i) E.S. Dunn, "A Statistical and Analytical Technique for Regional Analysis", *Papers and Proceedings of the Regional Science Association*, Vol. 6, 1960.
- (ii) F.J. Stilwell, "Regional Growth and Structural Adaptation", *Urban Studies*, Vol. 6, 1969.
- (iii) J.O. Oyebanji, "Regional Shifts in Nigerian Manufacturing", *Urban Studies*, Vol. 19, 1982.
- (iv) H.J. Brown, "Shift and Share Projections of Regional Economic Growth: An Empirical Test", *Journal of Regional Science*, Vol. 9, 1969.

The national component, the industry mix component and the competitive component have all been computed for the cities in Gujarat for the period 1971-80 respectively and are shown in Table 4, columns 3-5. Two other indices of industrial growth—the observed total change, and the net total shift—have also been computed and shown in columns 6 and 7 of Table 4 respectively. The observed change is the summation of columns 3-5, while the net total shift is the summation of columns 4 and 5. The net total shift is the amount by which employment within a given period had changed from that which it would be, had the region behaved like the nation.

Table 4 shows that no city in the study had negative national component in the period 1971-80. Among the cities, Ahmedabad had registered the highest positive national component. However, given the premise that growth in an economy is generally attributable to two components of change, *i.e.*, the industry mix and competitive component, it is important to look at these aspects more closely.

TABLE 4 SHARE ANALYSIS OF MANUFACTURING EMPLOYMENT IN THE CITIES OF GUJARAT—1971-80

Sl. No.	City	National Component	Industry Mix Component	Competitive Component	Total of observed Growth	Net Total Shift
(1)	(2)	(3)	(4)	(5)	(5)	(6)
1.	Ahmedabad	77632	—18745	—9382	49505	—28127
2.	Surat	8388	8652	650	17690	9302
3.	Vadodara	17180	17429	—33856	753	—16427
4.	Rajkot	3506	1461	—6842	—1875	—5381
5.	Jamnagar	3804	1346	—11714	—6564	—10368
6.	Bhavnagar	5095	—241	—13451	—8597	—13692
7.	Nadiad	3364	—692	—1982	690	—2674
8.	Porbandar	3123	2284	—5041	366	—2757

Whereas three out of eight cities in Gujarat had negative industry mix component at the 1971-80 period, the competitive component was much weaker than the industry mix effect. Thus five cities had a higher proportion of industries with above average growth rate for the state, while only one city had industries that grow at rates higher than the state growth rate. During this period, the highest positive industry mix components were experienced by Vadodara and Surat, with scores 17,429 and 8,388 respectively. Two cities, namely, Rajkot and Jamnagar also have experienced positive industry mix component whose scores were between 1300 and 1500. On the other hand, the lowest industry mix component was experienced by the only metropolis in the state, Ahmedabad. Other two cities also had negative

industry mix components, whose scores were between 200 and 700.

As for the spatial dimension of the competitive effect component, one city—Surat—experienced positive score. The largest negative scores went to Vadodara (34000), Bhavnagar (13500), and Jamnagar (12000). Ahmedabad and Rajkot cities had negative scores ranging from 7000-9000, and Porbandar city had a negative score of 5000.

In order to understand the more general pattern of growth, the net total shift was also computed (column 7). The result indicates that between 1971-80, only Surat city had positive net total shift with a score of 9000. All the remaining cities in the study had negative net total shifts, the greatest losers being Ahmedabad (28000); Vadodara (16400); Bhavnagar (13700) and Jamnagar (10400).

The analysis decomposes growth of economic structure of cities in Gujarat during the seventies. It has been observed that the ability of the cities to attract industries is on a decline in most of the largest cities either due to the composition of the industrial structure of the cities or due to the relative competitive position. The phenomenon in turn reveals the enhanced relative position of smaller settlements to attract industries.

In general the analysis highlights the following aspects with regard to the pattern of growth of economic structure of cities in Gujarat :

Firstly, four cities have experienced absolute decline in industrial employment, which indicates a decline in the relative advantages of these cities. Changes in industrial employment would take the following forms :

Absolute loss or locational loss in the city adversely affected, and

Absolute gain or locational gain in the area experiencing positive change. The changes would make impact on cities' structure at varying degrees.

Secondly, it has been observed that the relative concentration of industries in the cities has reduced in 1980 over 1971, even though some cities have experienced substantial absolute gain.

Thirdly, cities have shown a general tendency towards diversification of the economic structure internally. This is especially true for the cities which experienced gain of industries.

Fourthly, the cities experienced weak industry mix effect and still weaker competitive effect which ultimately speaks of the ability of the cities to attract industries. There was only one city which had positive net total shift during 1971-80.

Fifthly, no systematic relationship has been observed between the size of cities, growth and economic structure.

These phenomena tend to show that the economic structures of cities are stochastically determined than a concomitant of size that systematises size, growth and structure. The growth and decay of industries in cities of varying size depends more on the economic advantages that the cities can offer. These economic advantages take the form of reduced costs of production, better communication network, increased marketing facilities, etc. The usefulness and extent of which will differ from industry to industry.

If the cities could be viewed as subsystems within a system of cities, the growth or decay of individual cities results in repercussions of varying degree on the other subsystems in the total system of cities. This is due to the inter-linkages operating between and among the cities. The growth of some cities need not warrant the decay of some others. Hence, it could be concluded that change in an individual city results in readjustments of various kinds in the other sub-systems depending upon interdependencies, since a change is the result of several factors of which many are exogenous to the city, but endogenous to the total system of cities. □

# *Municipal Finance in a Growing Port Town : A Study of Gandhidham Municipality\**

L.R. MEHTA  
V.P. BHARADWAJ

IN DECENTRALISED economy, local government bears the responsibility of providing the local services to their residents. These services are financed with the help of local taxes. In India, the distribution of functional responsibilities and revenue sources between federating units, i.e., central and state is made as per the constitutional provisions. The state transferred some of its powers to local units to render public services to their residents. This distribution has been made in such a way that elastic sources of revenue have gone to central and state governments, while due to the fact that it is the welfare state, functions of local governments have increased. This leads to the serious problem of imbalance between their expenditure and revenue. Among local governments the positions of urban local governments specially become worse because of rapid urbanisation and industrialisation. The local urban governments are supposed to provide more and more services to their residents while, on the contrary, the state governments impose limits on local governments to raise the revenue resources, viz., restriction on property tax rates, and restriction on the raising of debts.

While local governments' finances are characterised by above mentioned features, it is also true that each municipal body functions under special circumstances and environmental conditions and the methods used by them to meet the financial stringency also differ from case to case. Therefore, it becomes essential to study individually the finance of municipalities to know whether they are providing services sufficiently or not. Is there any imbalance in their budgets? If yes, how they are trying to correct these imbalances.

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In this paper, an attempt is made to study the municipal finances of Gandhidham town which is a relatively rapidly growing town with proximity to Kandla Port. Besides, it has special advantages in its system of financing of capital expenditure requirements which deserve attention of other local bodies for adoption.

This paper is divided in six sections. Section one examines the general features of Gandhidham town. The second section deals with trend and structure of expenditure incurred by Gandhidham municipality. The third section examines the sources of financing of the municipal services. Section four presents an estimate of net advantage from municipal services to the residents. Self-sufficiency of municipality is examined in section five through the elasticities of revenue and expenditure. In the sixth and last section, main conclusions of the analysis, undertaken in this study, are presented with a view to discuss suggestions which emerge from it.

#### GANDHIDHAM TOWN

Gandhidham municipality, situated in Kuchh district, was established in the year 1958. The area covered under Gandhidham municipality is 12.93 sq. km. and according to 1981 census, the population was 61,382 with the density of 4,729 persons per sq. km.

In 1961, total population of Gandhidham municipality was 26,448. It reached to 38,824 in 1971 and 61,382 in 1981 (see Table 1). The population of Gandhidham municipality increased by 46.43 per cent between 1961-71 and 58.10 per cent between 1971-81. These growth rates were much higher than the overall average growth rate of class III urban towns to which Gandhidham belongs, viz., 8.21 and 27.57 per cent respectively. It was more or less equal to the growth rates of class I towns, viz., 55.36 per cent between 1961-71 and 48.20 per cent between 1971-81.\* This indicates rapid growth of Gandhidham municipality.

TABLE 1 DIVISION OF WORKERS' POPULATION

	1961	1971	1981
Total population	26448	38824	61382
Total workers	7614	10483	N A.
Industrial workers	1537	1768	N.A.
Trade-commerce, etc., workers	6057	8593	N.A.

Table 1 reveals that Gandhidham town is a commercial based town. In 1961, out of 7,614 total workers, only 1,537 were engaged in industrial

\*According to 1981 census, 44.60 per cent of urban population of Kutch district is covered by Gandhidham municipality.



activities (94.96%) while in 1971 out of 10,483 total workers 1,768 were engaged in industrial activities (5.55%). This shows very slow industrial progress of Gandhidham municipal town. Rapid growth of Gandhidham town is due to some developments in nearby areas, such as the establishment of IFFCO, Free Trade Zone and development of Kandla port. All of these are located outside the municipal boundaries though located near it and have effected the growth of town with consequent rapid increase in demand for municipal services. These factors have affected both revenue as well as expenditure of the municipality.

#### TREND AND STRUCTURE OF MUNICIPAL EXPENDITURE

It can be seen from Table 2 that at current prices, total expenditure increased continuously with three exceptions, viz., 1970-71, 1972-73 and 1977-78 from 1969-70 to 1978-79. Over the time period, total expenditure had grown by an average compound rate of 29.24 per cent. Real total expenditure fluctuated continuously around an increasing trend. Real expenditure increased by an annual average compound rate of 17.60 per cent. Real per capita expenditure also fluctuated throughout the whole period. It was maximum in 1975-76 (Rs. 12.57) and minimum in 1970-71 (Rs. 7.68). Real per capita expenditure increased by an average annual compound rate of 7.51 per cent. While real tax burden had grown by an average annual compound growth rate of 3.50 per cent.

TABLE 2 EXPENDITURE OF GANDHIDHAM MUNICIPALITY

Year	Total expenditure (Rs.)	Real expenditure (Rs.)	Ratio of current to total expenditure	Per capita real expenditure (Rs.)	Real per capita tax burden (Rs.)	Price deflator
1969-70	585939	315021	100.00	8.38	8.01	186
1970-71	572674	298268	97.67	7.68	9.38	192
1971-72	807518	418403	100.00	10.30	9.94	193
1972-73	782600	346283	100.00	8.14	8.52	226
1973-74	1349184	490162	100.00	11.04	7.43	275
1974-75	1387193	444613	92.16	9.56	8.37	312
1975-76	1785884	611604	99.00	12.57	8.12	292
1976-77	2042500	634317	100.00	12.46	10.66	322
1977-78	1979800	539455	88.11	10.13	10.06	367
1978-79	2207572	604814	90.00	10.85	10.91	365
Total	13500864	4703390		101.11	91.40	
compound growth rate per annum	29.24	17.60		7.51	3.50	

The ratio of current to total expenditure has remained in percentage terms at the level of 100, showing absence of any capital expenditure during these years. (1969-70, 1971-72, 1972-73, 1973-74 and 1976-77). In several other years closeness of the ratios to 100 (years 1970-71 and 1975-76) also reveals negligible expenditure by municipal body.

#### *Pattern*

Table 3 reveals the percentage distribution of expenditure. In 1969-70, maximum expenditure was incurred on drainage-conservancy services and it was 40.78 per cent of total expenditure. Minimum expenditure was incurred on hospital-dispensaries and it was 1.27 per cent. On administration-tax collection, 24.36 per cent was incurred and it was the second highest. No expenditure was incurred on public institutions, interest payments, buildings and other constructions. The absence of interest payment is because of the fact that municipality has not taken any loans. Similarly, the commitments of incurring capital expenditure are met by other organisations such as Sindhu Resettlement Corporation (SRC). This reveals a better situation for this municipal body as compared to others.

TABLE 3 PERCENTAGE DISTRIBUTION OF EXPENDITURE  
(GANDHIDHAM MUNICIPALITY) BY FUNCTIONS

Sr. No.	Functions	1969-70		1978-79	
		Current (Rs.)	Percentage to total	Current (Rs.)	Percentage to total
1.	Public Light and Fire	62900	10.73	144855	6.56
2.	Water Supply	48447	8.27	450144	20.39
3.	Drainage and Conservancy	238975	40.78	657840	29.80
4.	Hospital Dispensaries	7427	1.27	9260	0.42
5.	Public Institutions	0.00	—	0.00	—
6.	Grants	18574	3.17	32638	1.48
7.	General Administration and Tax Collection	142712	24.36	498497	22.58
8.	Miscellaneous	23933	4.08	134751	6.10
9.	Interest Payment	0.00	—	0.00	—
10.	Roads, Bridges	13851	2.37	87201	3.95
11.	Buildings	0.00	—	0.00	—
12.	Other Constructions	0.00	—	0.00	—
13.	Machinery	29120	4.97	0.00	—
14.	Repayment of Debt	29079	—	0.00	—
15.	Extraordinary	141367	—	547618	—
TOTAL		669036	100.00	2755190	100.00

In 1978-79, the highest expenditure was incurred on drainage-conservancy (29.80 per cent). The lowest expenditure was incurred on hospital-dispensaries (0.42 per cent). On administration-tax collection 22.58 per cent was incurred and it was second highest.

Compared to 1969-70, in 1978-79 the relative importance of public light-fire, hospital-dispensaries, grants, general administration-tax collection and machinery declined while the relative importance of water supply, miscellaneous, roads and bridges and building increased.

The high percentage of drainage was due to the conversion of latrines into flush latrines, for which municipality financed on the basis of matching grant.

### *Financing*

The different sources of financing expenditure and their contribution is shown in Table 4. This table reveals that major portion of expenditure was financed through tax revenue. The share of tax revenue, in finance (in percentage term) remained nearly constant in 1970-71 compared to 1969-70 (60 per cent). This contribution increased in 1972-73 and reached at 74.75 per cent. Heavy reduction was registered in 1973-74 (58.79). It increased in 1974-75 (69.21 per cent) and again fell down in 1975-76 (44.34 per cent). Thereafter it continuously increased upto 1978-79 and touched a new height of 84 per cent. The share of non-tax revenue remained more or less constant between 3 to 4 per cent in 1969-70, 1971-72, 1973-74, 1974-75 and 1975-76. It decreased in 1976-77 to 2.13 and in 1977-78 to 0.66 per cent. The financing from grants showed wide fluctuations except 1975-76 and 1976-77, in which more or less share of grants was constant. It is very interesting to note that no finance was made through loans in any year of this period. Financing through self-financing has also shown fluctuations throughout the period. It fluctuated between 16 per cent and 40.84 per cent. On the whole, expenditure was financed more and more through tax-revenue. Over the period, on an average, 66.54 per cent of expenditure was financed through tax-revenue, 2.01 per cent through non-tax revenue, 5.19 per cent through grants, 23.09 per cent through self-financing and 3.77 per cent through advances, and loans.

Out of ten years, only in two years budget had shown deficit. In the overall period, Gandhidham municipality enjoyed a surplus of Rs. 29,57,464 in its budget.

### *Financing of Self-Financed Services*

Self-financed services are those services which are charged directly on the basis of consumption (benefit). Water service is financed through

TABLE 4 TOTAL EXPENDITURE AND PERCENT DISTRIBUTION OF FINANCING (GANDHIDHAM MUNICIPALITY)

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	Over the period
Total expenditure	585939	572674	807518	782600	1349184	1387183	1785884	2042500	1979800	2207572	
Total revenue	703331	911539	1876013	1129400	1270246	1641084	1715779	2139600	2764500	3104614	
Recent distribution of financing											
(a) Tax revenue	355000	465434	569597	585000	685316	960201	791858	1455100	1683000	1855260	66.54
	60.59	59.16	70.54	74.75	58.79	69.21	44.34	71.24	80.97	84.00	
(b) Non-Tax revenue	20323	18513	29700	80200	57297	41802	55349	43600	97700	743554	2.02
	3.47		3.5		4.24	3.01	3.10	2.13	0.66		
(c) Grants	62462	69745	154200	120400	219552	183184	228760	347700	339000	317917	5.19
	10.66				16.27	9.40	12.80	12.28			
(d) Loans	0.00	40000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(e) Self financed	204900	233900	209700	233400	223300	255105	361187	293200	363800	563800	23.09
	34.92	40.84	25.96	25.25	16.55	18.39	20.22	14.25	18.37	16.00	
(f) Deposits and advance	62846	83947	112816	110400	84781	201728	278615	386000	361000	493383	2.77
					12.15		19.54				
Surplus Deficit (excluding deposit & advances)	56446	338865	268495	346800	-78938	253891	-70105	971000	784700	897042	2957464

user charges (water charges) while drainage service is financed through drainage tax imposed on properties of the residents.

#### *Financing of Water Supply*

To provide water service, water charge is imposed on the residents. It is charged according to the number of rooms of the house in the range of Rs. 2 to Rs. 10. Table 5 presents the financing of water supply. This table reveals that from 1969-70 to 1972-73 municipality enjoyed a surplus budget situation in water services. But after 1972-73 situation was changed and except 1977-78, municipality suffered heavy loss in financing the water service. This deficit was financed through general revenue. Over the period, total deficit in water supply was Rs. 9,97,300.

At present Gandhidham municipality is facing deficit in its budget. As pressure of water supply has gone down, municipality has built over tank to provide the water supply with sufficient force. The charges of water, which municipality has to pay to Kandla port trust have increased while, the charge on residents has not increased. This widened the gap between expenditure and revenue. To reduce this gap water charges need to be increased or it has to raise more revenue from other sources.

#### *Financing of Drainage Service*

To provide drainage service, 2 per cent of rateable value of house was charged as drainage tax from the users. Table 6 shows that over the period municipality enjoyed surplus during the period except the years 1973-74 and 1975-76. To cover the cost of drainage service, anticipated drainage tax was much less than actual drainage tax in beginning years. Anticipated drainage tax was in the range of 0.1 and 0.94 per cent while actual drainage tax remained constant throughout the period at 2 per cent of the net property value. In beginning there was a wide gap between anticipated tax and actual tax but it became narrow in succeeding years.

#### *Financing of Capital Expenditure*

Regarding capital expenditure, Gandhidham municipality has special characteristics. To construct roads, bridges, drainage lines and water lines, at the time of allocating the plots (land), Sindhu Resettlement Authority charges the development cost from plot holders. After completion, these works are handed over to municipal authority. Municipality is responsible for maintenance and repair of these services. So municipality has to finance only current expenditure, and it reduces the burden of municipality to raise more resources.

TABLE 5 WATER SUPPLY FINANCE IN GANDHIDHAM MUNICIPALITY

	(In Rupees)											Over the period
	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79		
Total water charges	196000	184200	184700	196400	193300	208200	208200	242900	316500	351600	2282000	
Total current expenditure	70700	30200	68100	71400	483500	623100	623200	550600	308400	450100	3279300	
Current surplus/deficit	125300	154000	116600	125000	-290200	-414900	-415000	-307705	8100	-98468	-997300	
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Overall surplus/deficit	125300	154000	116600	125000	-290200	-414900	-415000	-387700	8200	-98468	-997300	
Financing												
Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
General Revenue	0.00	0.00	0.00	0.00	290200	414900	415000	307700	0.00	98468	997300	

TABLE 6 FINANCING DRAINAGE SERVICE

Year	Current Revenue	Current Expenditure	Surplus/ Deficit	Grant	Net Surplus Deficit	Drainage tax to cover cost in percentage to net property value	
						Anticipated	Actual
1969-70	8879	4554	4325		4225	0.13	2
1970-71	19069	3803	14266		14266	0.14	2
1971-72	12672	7676	4996	179.9	22905	0.28	2
1972-73							2
1973-74	10584	11967	-1113	10000	8887	0.35	2
1974-75	31180	14590	16590	8000	24590	0.44	1
1975-76	23928	24044	-116	7340	7224	0.72	2
1976-77							2
1977-78							2
1978-79	34269	33537	632	2898	3530	0.94	2

*Net Advantage of Municipal Services*

Table 2 shows per capita tax burden in real term (at 1960-61 prices). It shows that over the period residents of Gandhidham municipality bear the burden of Rs. 91.40 in the form of different taxes over the period. Against this burden, they benefited by Rs. 101.11 per capita by way of expenditure over the period. Thus they enjoyed a net benefit of Rs. 9.71 per capita. On an average, each recipient got Rs. 0.71 more, annually, than what they paid in the form of taxes.

Except the years 1970-71, 1972-73 and 1978-79 in every other year benefit exceeded the burden. In 1978-79, the net disadvantage to average citizen was negligible. In other years, the net advantage varied from Rs. 0.36 in 1971-72 to Rs. 4.45 in 1975-76.

*Self-Sufficiency*

Self-sufficiency of Gandhidham municipality is measured through the revenue and expenditure elasticity by estimating the following relationships:

$$\text{Log } E = a + b \log P + u$$

$$\text{Log } R = A + B \log P + v$$

where  $E$  is Expenditure,  $P$  = Population,  $b$  and  $B$  are Elasticities of Expenditure and revenue respectively with respect to population,

u and v are error terms.  $R^2$  of both relationships and estimates of elasticities are found very high and highly significant.

	<i>Expenditure</i>	<i>Revenue</i>
Constant	-10.4140	-11.2610
Elasticity	3.5334	3.7111
$R^2$	0.9995	0.9994
t	163.4439	115.3064
F	454.3182	450.3682

Elasticity of expenditure and revenue are found to be 3.5334 and 3.7111 respectively. This indicates that over the time period Gandhidham municipality had surplus budget. Revenue from own sources increased faster than the increase of expenditure. It also shows that Gandhidham municipality is self-sufficient in providing local services to its residents.

#### CONCLUSIONS AND POLICY IMPLICATIONS

The analysis of expenditure pattern of Gandhidham municipality shows low expenditure on hospital-dispensaries and educational services and there is need for greater emphasis on these vital services. The system of financing for water supply needs some upward revisions in rate of water charges so that the service may be self-sufficient.

The municipal body was self-sufficient over the period because of special features of its capital expenditure financing arrangements. The policy implication for other municipalities emerging from this experience is that they may establish an independent authority to build capital works, viz., roads, water lines and drainage lines. These authorities may have powers to collect the cost of construction from the beneficiary residents. This will reduce the burden of municipalities and they may provide services more efficiently. In big metropolitan cities such arrangements, in the form of development authorities, have developed (such as DDA in Delhi, AUDA in Ahmedabad, etc.). A more adequate and efficient system of providing civic amenities will require such arrangements for smaller urban areas also.

A neglected aspect in system of grants given to municipal bodies by state government is capability to raise own sources of revenue. From the experience of Gandhidham municipality (which has been self-sufficient with no loans) also the case to link the grants with capacity to raise own sources of revenue is strengthened. In the long run, this will give incentive to such bodies to raise their own finances to provide better civic amenities and will encourage other municipal bodies also in this direction. □



## *Seminar Report*

### DELIBERATIONS AT THE NATIONAL SEMINAR ON THE STATUS OF MUNICIPAL GOVERNMENT IN INDIA

A national seminar on the "Status of Municipal Government in India Today" was held at the Indian Institute of Public Administration, New Delhi, on July 29 and 30, 1983 under the auspices of its Centre for Urban Studies. Representatives of the union ministry for works and housing, different state governments, municipal bodies, departments of political science and public administration of different universities, and the faculty members of the Centre for Urban Studies participated in the seminar deliberations.

The focal point of the seminar was the status of municipal government: examining the weaknesses of its current status and suggesting corrective measures. It was found that most of weaknesses of the municipal government could be traced to the history of its evolution in India under the British rule. The separate identity of municipal government, recognised in a limited way under the Government of India Act, 1919, was lost in the Government of India Act, 1935 and the constitution of free India did not alter the situation in favour of municipal government. Local government as such was included as an item for legislation by the state government.

The system of municipal government, as it has evolved since independence, shows that the status of municipal government has been continuously threatened and jeopardised in respect of its area and functions, its executive system, its finances, its administrative and fiscal relations with the higher level government and its overall constitutional position.

Municipal government in India enjoys *ultra vires* jurisdiction which has its own limitations. But giving it general competence was not found feasible within the theory of constitutional government followed in India. To demand giving residuary power of governance to the local government would not be a feasible proposition now. The seminar thereafter devoted its attention to examining the nature of the municipal executive, personnel and finances.

The seminar agreed that among the different alternative patterns of the municipal executive, the mayor-in-council form ensures political accountability of the municipal executive. This form has been adopted in the case of Calcutta and Howrah municipal corporations, but has not yet been enforced. The fragmented executive pattern, as found in Bombay municipal corporation, has worked well in the unique conditions of Bombay city, but cannot be replicated elsewhere in India. Bombay city's peculiar political tradition and prevalent political culture, as well as the separate personnel system have enabled it to function smoothly. But generally what is wanted is to free the municipal executive from the *tutelage* of the state executive. The seminar considered that defects of integrated and unified personnel systems needed closer scrutiny from the angle of municipal status and concluded that the case for separate municipal personnel system merited serious consideration if the current degraded status of municipal government as sub-system of the Indian political system was to be improved.

The seminar noted the utter helplessness of municipal government in respect of the state government's power of dissolving and/or superseding any municipal body. It was noted that most of the municipal bodies (municipal boards as well as municipal corporations) remained superseded during the last decade. Analysing the reasons behind this state of affairs, it was found that some supersessions took place on technical grounds because no election could be held or no boards could be formed owing to internal groupism. But the overwhelming number of supersessions had been reported to be on party political grounds alone. What seemed alarming was not the state government's power to dissolve/supersede municipal bodies, but its indiscriminate use on a liberal scale on palpably party political considerations. It was also noted that dissolutions necessitating early elections were generally avoided and supersession resorted to. In case of supersession, an administrator is appointed and he is usually either a sub-divisional officer or any other state government field officer holding the municipal charge on a part-time basis. Not only the citizens' right to be governed by their elected representatives is injured by supersession but prolonged supersession is also responsible for deterioration of municipal administration. These administrators find that they are in charge of the municipalities temporarily and they consider this additional responsibility an extra official distraction. What suffers in the process is the status of municipalities in the eyes of the citizens and the citizens' right of making local choices and deciding local priorities through their elected representatives.

The arguments in favour of strengthening the status of municipal government were raised also in connection with the economic

justification of local government on grounds of efficient allocation of resources and performance of certain services. If municipal government is accepted as a necessary institution, then it has to be strengthened financially. At present, grant received by the municipal bodies from the state governments are not governed by any well-defined policy; contributions come erratically and in meagre quantity. Hence the seminar favoured the appointment of municipal finance commission by every state government to recommend principles of tax-sharing between the state government and municipal bodies and devise criteria for a rational grants policy. The practices followed in the USA and Australia in this respect were thoroughly discussed. It was argued that the central finance commission should take into account the requirements of the municipal government while recommending devolution of funds from the divisible pool. It was felt that a proper approach was to be worked out by the municipal finance commission after carefully considering the advantages and disadvantages of both 'gap-filling' and 'formula-based' methods of resource transfer. There was agreement on the demand for a separate list of local taxes in the constitution. It was also felt that if the state governments commit themselves to assist municipal finances, then only Article 275 of the constitution could be attracted. But greater weightage has to be given on tax-sharing so that the municipal bodies' own resources could be augmented. The practice followed in the socialist countries would be inapplicable in India, because here it would not be constitutionally permissible to rearrange the activities of the lower level governments by the higher level government. What can be done in India is to link national finances with state finances and municipal finances. Local plans need to be integrated with state plans just as state plans are integrated with the national plan, and then arrangements are to be made for filling the plan gaps.

The seminar noted that there had recently been an increasing tendency to create new *ad hoc* institutions for managing urban development. Urban or metropolitan development authorities are unrepresentative and bureaucratic in nature and yet these bodies are authorised to exercise powers and functions of permissive, prescriptive and proscriptive nature. The authorities of municipal bodies are being eclipsed and these popular bodies reduced to the status of mere maintenance and servicing agencies. What is acutely felt in respect of governing the urban areas is the absence of any popularly accountable centre of political coordination; consequently, the overall needs of urban areas are lost sight of. The seminar felt that this state of affairs needed immediate rectification if the status of municipal government was to be protected and promoted.

The seminar proceedings were thereafter seized of the problem of

municipal reforms. In this respect the important reforms of municipal government recently undertaken in West Bengal were considered. The new innovation of the institution of mayor-in-council as the politically accountable executive in municipal corporations in the Acts of Calcutta and Howrah corporations was discussed. It was felt that this new model would have to compete with the model of bureaucratic executive enshrined in the Bombay Municipal Corporation Act, 1888. The West Bengal model is yet to be tested, although it enjoys the support of the theory of democratic government. The proposed borough-level decentralisation in the mayor-in-council pattern offers both a challenge and an opportunity to the art of municipal management in a metropolis. It was found that the various institutional innovations in municipal government recently made in West Bengal were not the product of well-thought-out policy of municipal reform and, as a matter of fact, most of these reforms came without any open public debate preceding such reforms. Various reform options in regard to municipal government were also considered by the seminar participants.

The seminar's special attention was drawn to the lack of any consultative forum for municipal government. The position and functioning of the central council of local government and urban development, created under Article 263 of the constitution, were analysed and it was noted that municipal bodies have no representation on this forum. The way this council has been functioning since its inception is demoralising for the municipal bodies. Unless official recognition is accorded to the representation of municipal government on such central forums, the voice of municipal government is bound to remain very feeble. It was felt that a lobby should be consciously built up for protecting the interests of municipal government as an essential part of the national policy. For this purpose, democratic associations of municipal bodies and professional bodies of municipal officials and employees should be established in order to canvass support for upgrading the status of municipal government.

#### BROAD CONSENSUS

Reviewing the detailed proceedings of the seminar, the following points emerged as the broad consensus :

1. A national commitment to build up municipal government as a third level in governmental system of the country needs to be developed.
2. There is absolutely no point in formally entrusting the municipal bodies with a large number of functions (obligatory as well as discretionary) without giving them sufficient support in terms of management capability and finances.

3. That unified/integrated personnel system in municipal management is better than separate personnel system has yet to be established by closely referring to actual experience.
4. Some intractable urban problems like unauthorised constructions and squatters' settlements in urban area are not municipal problems *per se*; these problems are basically related to urban and regional planning.
5. Municipal executive must be made adequately accountable to the local electorate. The institution of mayor-in-council should be given a fair trial for achieving this objective.
6. Municipal government is to be assured of fiscal autonomy in the sense that its dependence on the discretion of the state government is to be reduced.
7. Greater weightage needs to be given to tax-sharing, simply because it would ensure some amount of certainty of financial resources and make the state government committed to devolution.
8. For the purpose of improving local sources of income, a local tax list is to be incorporated in the constitution.
9. Local government's status would automatically be strengthened if the sum total of local public expenditure and state public expenditure could exceed the federal public expenditure. The formula used in the USA for sharing public expenditure between the federal, state and local governments in the percentage ratio of 40 : 30 : 30 respectively would be worth trying in India also. In any case, local government's (urban and rural) share of total public expenditure should be at least 25 per cent, as against the present level of about 10 per cent.
10. Federal tax sharing with local government, which is reported to be under consideration by a Task Force of the Planning Commission, would be a welcome development. Corporate income tax may easily be shared between federal government and municipal government, and this transfer would take place through the state government with appropriate pass-through provision.
11. The current legal disability of municipal government in making commercial investments should be removed and institutional finance made available for the purpose. The experience of the Kerala Urban Development Finance Corporation was commended in this connection.
12. *Octroi* as a source of income occupies a very important item in municipal finances; hence its abolition should not be insisted upon without first ensuring suitable compensatory measures.

13. Municipal or local government finance commission at the national level may be considered, but the utility of such an exercise has to be judged carefully in the context of varying needs of the states.
14. Municipal planning exercise should be integrated with the planning efforts of the state and national governments.
15. Supersession powers of the state government should be exercised with utmost caution and only for the purpose of nursing sick municipal bodies back to normal health; power should not be used as a punitive measure as its motivated use does not fit at all with the principles of local democracy.
16. Whenever any municipal body has to be superseded on grounds of default, it must be given opportunity of self-defence; even a special tribunal may be considered for this purpose.
17. The period of supersession must not be indefinite, and a time limit should be provided in the municipal law within which the elected council has to be restored.
18. The directorate of municipal administration, if any at the state government level, should only concentrate its activities on advising and helping the municipal bodies. Its long arm of control must not be allowed to stifle the development of municipal government.
19. As urbanisation takes place, boundaries of municipal bodies should be reviewed and re-drawn accordingly at periodical intervals, preferably after each census.
20. Mushrooming growth of urban development authorities should be stopped and municipal governments be adequately strengthened with powers, personnel and finances to take charge of management of urban development. This is deemed necessary for successful mobilisation of local resources.
21. The Constitution of India be amended suitably for recognising local government's right to exist and serve the local people. Inclusion of a 'local list' in the seventh schedule of the constitution deserves serious and immediate consideration.
22. Development of institutional forums of municipal bodies at the state and national levels should be encouraged, and integrated with decision-making process regarding urban planning and development. □

## Book Reviews

*The Taxation of Urban Land*, A.R. PREST, Manchester, Manchester University Press, 1981, pp. 207, £ 25.00

The book is the first in-depth country study of urban land taxation by one of the acknowledged experts of public finance. The term urban land taxation is used to mean taxation of urban land value increments (LVIT), which excludes normal property taxation or rating in English parlance. LVIT has been subjected to detailed comparative studies by fiscal experts of the IMF (Lent) and the World Bank (Grimes Jr.), but this is the first time when this has been studied in the context of a single country—UK. Of late, the British local taxation scene has been exhaustively studied by Foster *et al.* However, Prest's book will still claim the attention of discerning readers for a refreshing synthesis of the obscurities surrounding public policies relating to the fiscal aspects of physical planning in the UK and other countries influenced by the British practices, such as India.

The general conclusions of the book have been succinctly summarised by Prest as follows (p. 5):

1. Public land acquisition other than for discharging its minimum functions or for temporary purposes must be 'eyed very dubiously'.
2. One should examine the applicability of the US-style zoning or the Houston-pattern of minimum intervention in the British situation of all pervasive planning permission system.
3. Site value rating (SVR) should be re-examined in view of the highly unsatisfactory state of the British local rating system.
4. The case for continuing the present British land development tax (DLT) is extremely weak—probably the best course would be to abolish it and make all land gains subjected to capital gains tax.
5. Auctioning of development rights may seem attractive at first sight, but it raises some basic questions relating to property rights.
6. The supposed injustice of refusing planning permission without compensation is no longer a live issue in Britain.

It is difficult to understand the rationality of these conclusions in isolation of the context in which these have been reached. For instance, conclusions 1 and 6 should be read together; if conclusion 2 is read to mean that the Houston-type of minimum intervention has much to commend itself then the earlier two conclusion might be irrelevant. Again, once SVR is favoured, the case for DLT is weakened. One could similarly view the auctioning scheme in conclusion 3 as a proxy method of valuation for rating. Many of these conclusions are, therefore, interrelated and it would be rather foolhardy to view any of these in isolation of the 'environment' within which LVIT is discussed. Even when such an environment is fixed, as in present day Britain, the conclusions are by no means clear. This is because the varying policy objectives adopted in respect to each of the instruments outlined above—both planning and fiscal—would vary in terms of their policy context on the one hand, and their efficacy or relevance on the other. It would have been better if the policy objectives were clarified in the first place and the policy instruments discussed specifically in relation to these objectives. The book, while exhaustive in its treatment of the LVIT, thus results in avoidable confusion in fiscal policy.

—ABHIJIT DATTA

*Urban India*, Quarterly Journal of the National Institute of Urban Affairs, March 1983, Vol. 3, No. 1.

This special issue of *Urban India* is devoted to an examination of the processes of city growth and evaluation of some of the currently popular stances on urban policies.

Three papers examine the processes of city growth—by Buch, Sinha and Kundu and Sharma. Buch presents an extremely perceptive commentary on urbanisation trends in the various states; his observations are reasonable, but these need to be substantiated by hard data. The paper by Sinha is a praiseworthy attempt to estimate the net immigration into urban areas during 1971-81 in the absence of the 1981 Sample Registration Scheme (SRS) data. The focus of the third paper by Kundu and Sharma is somewhat obscure. The authors are needlessly obsessed by the colonial role of the metropolitan regions and hopefully suggest that the various master plans incorporate positive policies for industrial dispersal away from these regions.

Various aspects of urban policies are examined in three papers by Asok Mitra, Kashyap and Biswas. Mitra's paper unfortunately is diffused in its thrust and sometimes relies too heavily on unfounded



assertions on property tax reform—a subject which has received considerable attention in West Bengal by the state-appointed municipal finance commission. Kashyap examines the role of large cities in economic development and considers that many of the underlying assumptions on city size have little validity. Indeed, their economic advantages are considerable in terms of higher returns on investment. The same point has been reiterated by Biswas from a distributive angle if one considers inter-personal rather than inter-regional equity. He also rightly challenges the prevailing practice of substituting public sector costs for social costs. One could add that on the benefits side, the confusion is still worst confounded where public sector revenue is regarded as social benefits.

Finally, the review of the Hyderabad-Secunderabad slum data throws up information which, according to Khan, could form the basis for formulating interesting hypotheses for detailed urban studies based on disaggregated National Sample Survey (NSS) data.

In spite of the inadequacies of some of the papers noted above, the six main contributors cover a wide area of urban studies and hopefully others will join them in their search for explanations for urban economic behaviour.

—ABHIJIT DATTA

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<i>Sl. No.</i>	<i>Name of the Course</i>	<i>Date</i>	<i>Course Director</i>
<b>Training Courses</b>			
1.	Urban Plan Administration	May 5-18, 1983	Shri R.K. Wishwakar
2.	Municipal Personnel Administration	May 16-28, 1983	Prof. A. Mukhopadhyay and Shri Raj Nandy
3.*	Valuation and Assessment of Property Taxes	July 18-27, 1983	Prof. A. Datta
4.†	Management of Integrated Development of Small and Medium Towns	August 2-12, 1983	Shri R.K. Wishwakar
5.	Urban Water Supply Management	Sept. 28-Oct. 7, 1983	Dr. K.S.R.N. Sarma
6.	Slum Improvement	Nov. 7-11, 1983	Shri M.K. Narain
7.	Municipal Budgeting and Financial Control	Dec. 12-24, 1983	Prof. A. Datta
8.*	Urban Project Appraisal	Jan. 19-25, 1984	Dr. K.S.R.N. Sarma
9.†	Integrated Development of Small and Medium Towns	Feb. 1-9, 1984	Shri Raj Nandy
10.	Housing the Urban Poor	Feb. 13-18, 1984	Shri M.K. Narain
11.	Solid Wastes Management	Feb. 20-25, 1984	Shri Rakesh Gupta
<b>Seminar/Workshop</b>			
1.	Status of Municipal Government in India today	July 29-30, 1983	Prof. A. Datta and Prof. A. Mukhopadhyay
2.	Workshop on Participation of Voluntary Organisations in Urban Development in Delhi	Dec. 5-6, 1983	Shri M.K. Narain and Km. Sarala B. Rao

\*Management Development Programme.

†Programmes under the 'Plan Budget'.

## CUS PUBLICATIONS

	<i>Rs.</i>
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Joint Editor  
ABHIJIT DATTA

Assistant Editor  
GANGADHAR JHA

# NAGARLOK

Vol. XV OCTOBER-DECEMBER, 1983 No. 4

**SPECIAL ISSUE  
ON  
PLANNING AND IMPLEMENTATION OF  
URBAN DEVELOPMENT**

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## *Our Contributors*

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MR. MICHAEL BAMBERGER is on the staff of the World Bank's Water Supply and Urban Development Department, Washington, DC (USA).

PROF. BAPPADITYA CHAKRAVARTY is Associate Professor, Indian Institute of Management, Calcutta.

PROF. ABHIJIT DATTA is Professor of Urban Administration and Development and Municipal Finance, Indian Institute of Public Administration, New Delhi.

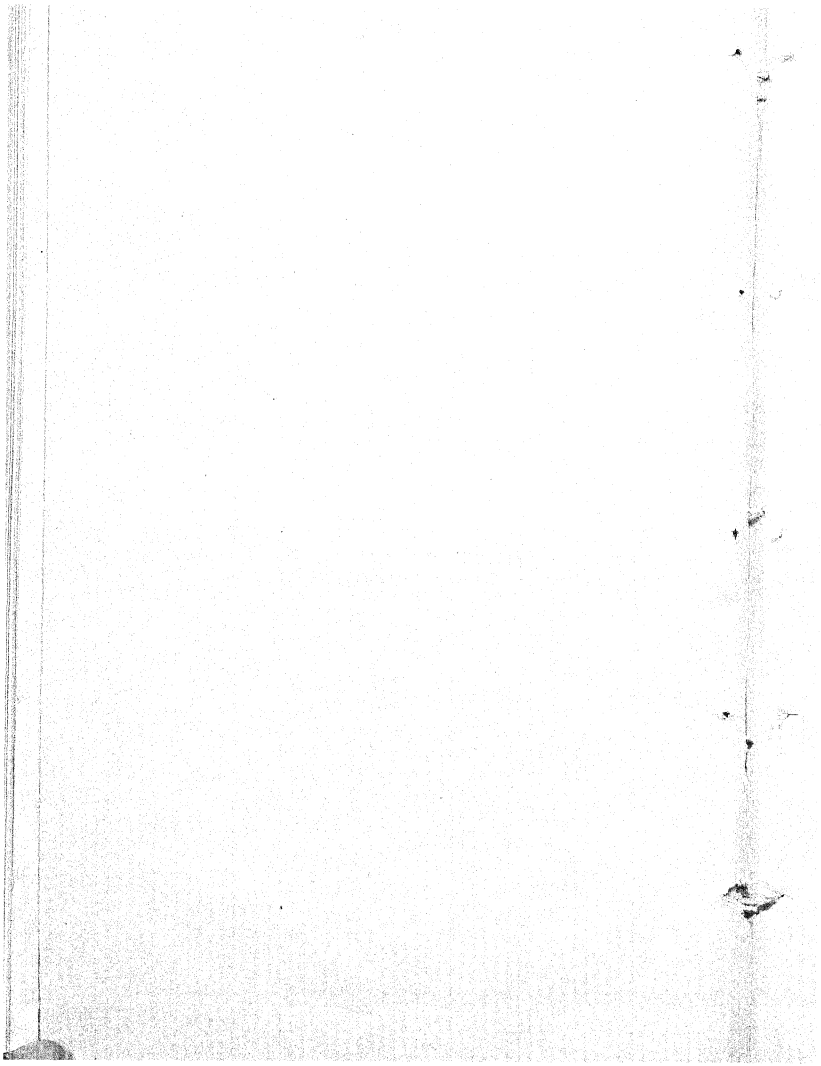
SHRI GANGADHAR JHA is Lecturer in Urban Studies, Indian Institute of Public Administration, New Delhi.

SHRI D.D. MALHOTRA is Reader in Urban Management, Indian Institute of Public Administration, New Delhi.

PROF. J.P.W.B. MCAUSLAN is Professor of Law, University of Warwick, Coventy (UK)

PROF. ASOK MITRA is Chairman, State Land-Use Board, Government of West Bengal, Calcutta.

PROF. ASOK MUKHOPADHYAY is Professor of Urban Studies, Indian Institute of Public Administration, New Delhi.

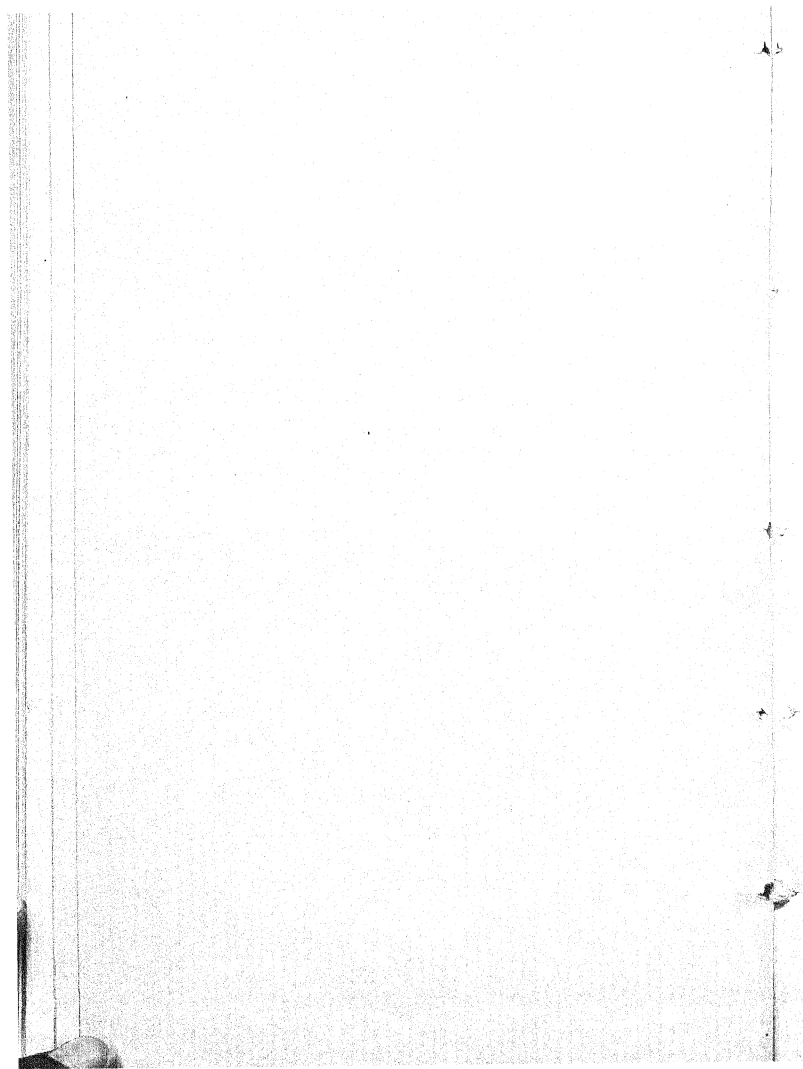


## *Editorial*

The theme of this special issue: 'Planning and Implementation of Urban Development' has been comprehensively examined in 1983 by four Task Forces appointed by the Planning Commission. We have included five papers in this issue to review the work done by these Task Forces. Additionally, the issue also includes papers on urban planning method, legal framework for urban planning and development control, and an evaluation of urban shelter programmes.

Our efforts would be amply rewarded if these papers evoke adequate response from our readers by way of comments or generation of new articles in this area for publication in future issues of *Nagarlok*.

—Editor



# *Urban Planning for Equity and Efficiency: The Tasks Ahead*

ASOK MITRA

THE RESEARCH Programmes Committee of the Planning Commission, soon after the latter's birth, commissioned detailed studies on the metropolises and more populous cities. Eminent authors produced monographs. For instance, the central theme of Prof. S. N. Sen's monograph on Calcutta was equity. He concentrated on access and utilisation of welfare, education, housing, employment and commuting facilities for white and blue collar workers.

In its First and Second Plans, the Planning Commission had overriding priorities of investment in areas other than urban development. In hindsight it seems enough that the government with the help of subsidies and imports kept down the prices of foodgrains and wage goods in the cities and towns. The government also went in for strengthening urban infrastructure, inter-city communication, and suburban commuting facilities. It also set up housing and other welfare and educational amenities for all levels of workers in the brand new company towns around large public sector enterprises; a big step towards equity and welfare goals.

At the end of the 'fifties planning bodies were set up in several large cities. The decade of the 'sixties marked the era when urban planning models and analytical exercises on a wide range of parameters were developed in India, so much so that the work done on Calcutta, Bombay, Madras and not least Delhi became a model for numerous countries. Delhi took a big stride towards equity in housing and welfare. The Delhi Development Authority (DDA) not only introduced new ideas in control and use of land, disposal and pricing, and showed the way to rapid augmentation of revolving funds, but built the biggest housing enclave anywhere for its time in Janakpuri mainly for low income and economically weaker sections of the population. DDA set up new standards in low cost, low income, public housing both for tenancy and purchase.

It also provided market centres and model facilities for other urban

needs. It can be claimed without much fear of contradiction that Delhi, despite its hideous slums, has progressed more than most other cities in the world towards equity and even pronounced partiality for white and blue collar populations. The Housing and Urban Development Corporation has since carried the message to other cities of India.

At the same time Delhi has gone in for much conspicuous and wasteful expenditure in the last fifteen years. It has also been responsible for grievously starving other Indian metropolises of funds. Had the World Bank not come forward to help Calcutta, Bombay and Madras in the 'seventies these cities would have fallen even more woefully behind Delhi than they are in 1983.

Indeed, neglect of other metropolitan and larger cities—not to speak of the smaller ones—reached such alarming proportions at the end of the Fourth Plan that the Planning Commission felt called upon to address itself seriously to a problem that could be ignored only at the nation's peril. For, serious economic, social, cultural, and, above all, political troubles have built up in recent decades through sad neglect.

#### THE FOUR TASK FORCES

On the eve of the Seventh Plan, the Planning Commission decided to set up four task forces on the theme of Housing and Urban Development, mainly with an eye to equity and efficiency and as means of stimulating urban investment, productivity and employment. The four Task Forces were: (1) Planning of Urban Development; (2) Financing of Urban Development; (3) Management of Urban Development, and (4) Shelter for the Urban Poor and Slum Improvement.

The chief concern that motivated members of all the four Task Forces was not so much physical planning for gracious living—a favourite of physical planners—but planning for employment, enrichment of human resources and improvement in productivity through equity and efficiency in the expansion of urban infrastructure and low-income housing, increase in urban incomes, and investments of urban local bodies. In addition, decentralised urban development is a major theme that runs through all the four Task Force reports.

#### PERSPECTIVES OF URBAN PLANNING

It would be idle to imagine that the rapid rise in rural population through demographic growth can be absorbed in agriculture as far as 2000 AD and still ensure its growth in productivity and total production. Twenty years ago roughly 55 per cent of Gross Domestic Product was being created by 70 per cent of the labour force in agriculture. Today a similar 70 per cent is creating only 35 to 40 per cent as

the contribution of agriculture to GDP. Land under cultivation has not significantly increased. On the contrary, the constant proportion of 70 per cent of population means an additional burden of about 160 million persons on the same quantity of land after 20 years. Even the most massive food-for-work programmes, if continued steadily up to 2000 AD, will hardly suffice to keep our excess population productively engaged. This is gross proof of how seriously agriculture is encumbered today.

This apart, it has to be acknowledged as a major instrument of public policy that rural prosperity can no longer be contained in rural areas. The recent spurt in India's urbanisation is an inevitable reflection of the changing structure of the economy towards the secondary and tertiary sectors. Throughout modern history rural agricultural push has been almost as strong as urban and industrial pull. Rural prosperity will bring about more accumulation of material and human capital than agriculture can absorb. Agricultural profits will demand diversification in non-agricultural portfolios. Improvement in rural human resources through growth in education, health, skills and institutions, must find place in urban, non-agricultural enterprise.

Despite the still appalling isolation of innumerable villages and rural settlements, particularly in backward regions, the urge to secure a place for each in the national or regional market network of goods and services and wages has grown irresistibly in the last twenty years. There cannot be two opinions that a town, however small, or a semi-rural growth centre or *mandi*, is the visible symbol and instrument of a national or regional market network. In most countries of the world today—not excluding Africa—the ratio of the urban population is far greater than India's paltry 24 per cent. In most countries the ratio of rural to urban settlements ranges between 6 and 20 to 1. But in India this ratio is still at least as high as 180 to 1. This figure alone tells volumes about the state of access of our rural areas to the national and regional markets. The prospective toll of this situation on agricultural growth and rural prosperity can only be imagined. Besides, urban household and non-household manufacturing and services right to be rapidly expanded to stimulate rural demands for goods and services. Continuous rise of effective demand in rural areas will be the abiding guarantee of growth in agricultural productivity. We have reached the stage where further neglect of the urbanisation process, and attempts to thwart its rapid articulation will kill the goose that promises the golden egg of agricultural self-sufficiency.

The see-saw of political fortunes in the last twenty years—manifested mainly through the popular vote—point to the extreme necessity of securing complementarity between rural and urban areas. This is essential for securing the political stability and unity of the country.



Attitudes towards the urbanisation process in the next twenty years must therefore be guided not by unattainable dreams of conspicuous expenditure on a small number of urban areas, but by practical, hard-headed considerations.

Some of these considerations are:

- (i) Rapid expansion of non-agricultural livelihoods and employment assisted by the promotion of education and technological skills at urban and semi-urban nodes that will offer economies of scale in the exploitation of physical and institutional infrastructure and provide competitive markets for wages and skills. Further economic growth will be difficult without a restructuring of our future working force which is more in consonance with the composition of our GDP.
- (ii) Rapid articulation of a very large number of growth centres or *mandi* settlements each of which will enjoy a minimum infrastructure of energy installation, financial, servicing and counselling institutions, communications connecting neighbouring villages to the regional network, sites or locations for setting up warehousing, industries and services for local and regional needs, minimum telecommunication, education, housing and welfare facilities. In short, these amenities will connect the surrounding rural areas to the national or regional market network of wages, industrial products, spares and consumer goods and reduce the present urban-rural settlement ratio of 180 to 1 to a possible 25/30 to 1. These settlements will serve partly as outlets for investment of surplus capital and human resources of rural population and for upgrading human skills and productivity.
- (iii) Fresh and renewed endeavour at recreating regional networks of infrastructure is needed for securing interdependencies between size hierarchies of rural and urban settlements in defined spaces. At present, these interdependencies exist more in terms of one-way distribution outlets of goods and services from larger to smaller settlements rather than the other way round in terms of industrial and raw material supplies or of ancillaries or even labour from the smaller to the larger settlements. Establishment of two-way hierarchy networks will be facilitated only when the kind of infrastructure mentioned in the case of growth centres or *mandi* towns is proportionately augmented in the larger size classes.
- (iv) The existing network of state capital city, major intra-state urban nodes, district, subdivisional, *tehsil* and *mandi* towns await to be strengthened with expansion of infrastructure

proportionate to the size class importance of each link. The object in each case should be more the expansion of non-agricultural investment opportunities and employment, improvements in human resources and skills, markets and goods and services rather than the pursuit of unrealisable norms of urban amenities at state expense. This is not to suggest that urban amenities should be neglected (in fact, urban amenities act as a potent and abiding pull factor and determinant of higher urban and industrial productivity), but that wealth-generating sectors in urbanisation investments should receive at least as much priority for the next several decades as consumption investments. There has been a marked tendency in recent decades towards improvements in urban amenities to the implied neglect of urban production investment and employment. Recent trends in metropolitan development have set the pace in this regard. This needs to be corrected.

It is possible to think of a fair number of small towns where some urban amenities are available. On the other hand, one can think of very few lower order urban centres in India that can boast of brand new, modern-technology, non-local raw material-based factories. While more sharing of scarce urban amenities and even outright deprivation seem inescapable for some time to come, there is a case for augmenting and distributing more urban employment opportunities. Rural and urban, agricultural and industrial, political lobbies should recognise the logic of complementarity of rural-urban, agricultural-industrial growth and employment as the obvious answer to the stability as well as economic and social growth of our country.

#### URBAN STRATEGY IN THE COMING DECADES

This may well constitute the task of urban development in the coming decades. First, stimulating the growth of a large number of growing centres of *mandi* towns linked to the network of larger national and regional markets, which will reduce the proportion of the population dependent on cultivation and enhance the proportion of settlements that will have the effective characteristics of urban nodes—diversification of population, dominant secondary and tertiary sector working force, a realistic array of manufacturing, trade and commerce, transport and services, provision for expansion of non-agricultural enterprises, formal and technical education, social welfare, administrative and financial institutions, provision of energy, warehousing, and above all, housing. These may not come up to modern urban standards but the aim should be quickening of economic enterprise, expansion of a

wide spectrum of employment and skills, accessibility to wider networks, with provision for establishing better civic services. Even if desirable urban amenities are not available and will elude us for a long time, the fact remains that India's cities and towns, as in all other climes and times, are the cradle of all creative enterprises and the home of all cultural, scientific, industrial, and technological progress and strength.

In the short run, however, over the next two plan periods at any rate, urgent attention and investment is necessary to enable the existing national, metropolitan and existing regional, state, and district urban nodes to receive the urbanward migration that will continue to take place. It is important to recognise that not a single metropolitan city—not even Bombay or Calcutta if one examines them closely—not to speak of 200 odd 1 lakh urban nodes—has yet started manifesting diseconomies of scale. Density of all kinds still provides hospitality to every kind of enterprise in both formal and informal secondary and tertiary sectors. With wisely conceived schemes of reconstruction and redensification of city cores and peripheries they will continue to thrive indefinitely. Here, too, as in everything else in our country, equity is of the essence in our plans and men and women must have shelter and the minimum amenities of life. Connecting facilities should be made available for useful productive work, should it prove impossible in certain cities to house low income workers close to their place of work.

The magnitude of the task in the next two plan periods will appear from the fact that the number of metropolitan cities (1 million plus) will grow from 12 in 1981 to at least 20 in 1991; of cities of 1 lakh to 1 million from 204 to at least 300; of class II towns from 270 to 350. The population in million plus cities will grow from 42 million to about 65 million; of class I cities from 52 to 85 million; of class II towns from 18 to 27 million (many class II towns will graduate to class I in the current decade). These projections have been made on the basis of past trends and known historical patterns of urbanisation. Suitable policy and appropriate programme intervention can alter some of these magnitudes at the margin, particularly in some regions which need a more beneficent network and spatial distribution of population.

Taking an across-the-board proportion of the working force at 30 per cent of the total population, the growth in working force in urban areas alone will be 30 per cent of 70 million or 21 million. These are daunting figures—as every absolute figure is in this country—but, given the will, the task may not prove insuperable if the requirements of growth are kept in the forefront alongwith equity. Scarcity will have to be shared.

Adequate housing for the backlog and the additional 70 million

may prove difficult but not insuperable, given the right policies. Here too equity and careful husbanding of new and old housing stock can be made to play a very benign role. Besides, the magnitude of the task varies from one zone to another in India and a variety of innovative practices tailored to each zone's particular problems and requirements and ecological preferences for house designs and building materials will be called for. It is also important to decide upon questions of strategy; whether centralised sewerage and sanitation, water supply, etc., should be undertaken for a city as a whole or a city should be divided into clearly demarcated neighbourhoods and have decentralised smaller subsystems to be integrated when times and finances are more propitious. The latter may cost a fraction more than centralised systems but may prove to be more economical to maintain and quicker to set up. These general considerations about the direction of overall development in India have guided the four Task Forces in their approach to urban development in India. The reports offer a systematic assessment of the current urban situation in India; a realistic forecast of what may be expected in terms of urbanisation upto the year 2000; and a suggested reorientation of urban policy in the light of these findings. □

## *Planning of Urban Development: The Basic Policy Issues*

ABHIJIT DATTA

THE PLANNING COMMISSION'S Task Force report on planning of urban development<sup>1</sup> marks a departure in delineating the policy perspectives and identifying relevant issues in urban planning in the country. The report is not only technically competent and analytically sharp, but is also remarkably candid in its condemnation of the prevalent practices in urban planning that are largely irrelevant and ineffective under Indian conditions. Understandably, it would take quite some time to put into effect many of the suggestions concerning a reorientation in our urban planning techniques—inadequate financing, lack of expertise, insufficient data base and information system, absence of clarity in goals and objectives, etc., are some of the obvious impediments to be reckoned with. Yet it is clear that the Task Force has largely succeeded in initiating a change of perception of the entire process of urban planning and development in the country and hopefully this will trigger off the consequential changes in the methods, direction, and content of planned development of our urban areas.

The terms of reference of the Task Force included an indepth examination of: (a) the processes of urban planning, and (b) the issues in urban land policy. The actual terms of reference were as follows:

- A. 1. To examine the impact on urbanisation of overall structural change in the economy; and to consider specifically the pattern of urban employment which is consistent with the increasing share of urban areas in national income;
2. To project pattern of urbanisation that may be expected over the next 15 years and to estimate the degree of urbanisation

<sup>1</sup>India (Planning Commission), Task Forces on Housing and Urban Development: I, *Planning of Urban Development*, New Delhi, September, 1983, (Mimeo).

- and the magnitude of income arising from urban areas;
3. In the light of the above, to outline the key objectives of urban development planning for the future;
  4. To examine the existing systems of urban development planning at the national, state and local levels and to suggest measures and methods for their improvement. These may include criteria for the selection of new urban centres, and consideration of institutions which would be appropriate for the emerging needs of the future, and of the role of regional urban development planning;
  - 5 To consider specifically measures for better coordination of industrial development and urban development planning such that the provision of physical and social infrastructure is appropriate;
  6. To examine the current processes of urban planning in the larger cities and suggest measures such that economic investment planning and physical planning in these cities is integrated and coordinated with regular regional and national planning exercises; and
  7. To examine the alternative strategy of urbanisation of selected rural pockets with large growth potential and provision of infrastructure in these pockets with a view to slowing down the rate of rural-to-urban migration and to make life more productive and worthwhile in rural areas.
- B. 1. To examine critically the existing policies and measures directed towards land assembly and development in urban areas. Specifically, the success achieved as well as problems encountered by such policies should be identified;
2. To examine critically the existing regulations governing the land market and to suggest measures for their improvement such that urban land speculation may be curbed. This may include consideration of land taxation measures, including the efficiency of the property tax;
  3. To estimate the expected demand for urban land over the next 15 years;
  4. To suggest innovative methods of large scale assembly and development of urban land such that land developed can be accelerated in a resource conserving manner. Specifically, the 'land readjustment' method may be examined and particular consideration may be given to the practicability of its application in India; and
  5. To consider the possibility of establishing a land price monitoring system in the larger cities in the country and suggest procedures by which it could be implemented.

The Task Force consisted of a large membership of 14 officials and academics with a retired civil servant-demographer as its chairman and an urban economist from the Planning Commission as the member-secretary. The report was completed within a period of barely nine months of its appointment in January, 1983. Here we would discuss the three major aspects of the Task Force report, viz., (i) the urban policy perspectives, (ii) the issues in urban planning, and (iii) the issues relating to urban land; finally, we would consider the overall thrust of the report in a concluding section.

### THE URBAN POLICY PERSPECTIVES

#### *Demographic Analysis*

The first three chapters of the report deal with the data base for urban policy. After an exhaustive analysis of the available data the report makes the point that the rise in rural population needs to be absorbed through a rapid expansion of non-agricultural livelihoods and employment in the urban and semi-urban nodes. The urbanisation record of the country compares quite favourably to the experience elsewhere. However, the absolute increase in urban population—to be larger than in any other country except China by 1985—will pose challenges to the absorptive capacity of our existing urban settlement. Two points have been made in this connection: first, the growth in urban settlements is mainly due to the enlargement of existing urban areas at every level, and second, a large part of the country still continues to be devoid of urban settlements of any size. The underlying reason for both these phenomena is the uneven record of agricultural development in the country; the agriculturally stagnant areas show insufficient degree of urbanisation. Therefore, the policy implication is that new towns are to be fostered in the agriculturally backward regions so as to generate desirable growth rates in income and non-agricultural population, leading to improvement in agricultural productivity in these areas.

Another aspect of urban growth relates to its size distribution. Three interrelated facts are underlined: one, it is not true that the large cities have grown faster than smaller cities and towns; second, the higher growth of small and medium towns will not make any recognisable impact on the growth of large cities; and third, the fast growing towns and cities soon become large cities. Again, the policy implication of this experience of size distribution of urban growth may be reviewed both positively and negatively. On the positive side it is important to relate urban development to a strategy of regional development; negatively, it is unlikely that a containment policy for the larger cities will succeed, given the underlying economic forces at

work on the one hand, and the magnitude of needed efforts on the other.

One could discern a weakness in the policy implications of the above analysis—if it is accepted that the growth of larger cities cannot be meaningfully contained, is it reasonable to hope that creation of new towns in the agriculturally backward regions will be either easy or effective? The Task Force advocates careful investigations into the regional dimensions of urban growth; at the same time, it is pointed out that agricultural growth is the key towards further growth of future urbanisation. If such be the case, then an intensive agricultural development programme must precede, or at least go hand in hand with, a new town policy for the backward regions.

Turning to the urbanisation prospects by the end of the century, the Task Force predicts the expected size of urban population as about 1000 million with expected rate of urbanisation to reach 28 per cent in 1991 and 32 per cent in 2001. The absolute increase in urban population in the last decade of this century (1991-2001) will be almost equal to the rural population. This has the implication of a rising urban labour force in the country from 14 million currently to about 20 million by the turn of the century, with the agricultural labour force remaining stable at about 22 million. In the immediate future, starting with the Seventh Plan, over 3 million urban jobs are to be created annually; therefore, urban employment and industrial policies have to be geared to this end. The implication of this scenario for urban development policy is that it must coincide with concomitant investments in the productive sectors of the economy which provide assured urban employment. Therefore, policies for urban development need to be related to economic productivity and should be viewed essentially as supportive of urban economic development.

### *National Economic Policies*

The Task Force attempted to illustrate some of the unintended spatial effects of national economic policies. With regard to industrial policy for textiles, for example, a combination of licensing control, excise exemption and trade practices favouring handlooms has led to a restriction of the mill sector expansion resulting in the industrial stagnation of a large number of mill-based cities and development of new handloom centres. The trade policy of protectionism has favoured some industries concentrated in a few locations away from established centres; its export-orientation promotes industrial location in the port cities; the import-substitution strategy has favoured the inland cities; the industrial licensing system has favoured capital centres where permits are obtained. The transport policy also favours industrial growth—to the extent railway expansion is limited,



for example, existing industrial locations are favoured. These illustrations show the conflict between spatial policies and economic policies—largely unintended, but nevertheless contradictory even within specific sectors.

### *Spatial Policies*

The Task Force has been candid enough to recognise that explicit spatial policies have not been strong enough to alter existing spatial and hierarchical settlement patterns in India. These include restrictions on industrial location, incentives for industrial location in backward areas, infrastructure investments in small and medium towns, and so on. The intervention strategies in this regard have been half-hearted, loosely coordinated and even counterproductive.

The Task Force analysed the effects of the measures on industrial dispersal as an example of spatial policies and came to the conclusion that there has been considerable dispersal of industry during the last two decades partly as a result of various incentives to locate industries in backward areas. At the same time, there is no evidence of a shift of industry from the larger cities to the smaller towns. On the other hand, the liberal designation of 'backward areas' included some areas that were not quite backward, especially in the districts adjoining at least three metropolitan cities (*viz.*, Delhi, Bangalore and Hyderabad), and private industry has taken advantage of this situation. This may be regarded as an example of 'unintended effects' of a spatial policy. The Task Force suggests two courses of action on industrial dispersal: one, to select cities already having a modicum of physical infrastructure—both economic and social—so that these are put to better use; and two, in the backward areas without these infrastructures, selection of a few centres where these facilities may be provided. While one could see the reasonableness of these suggestions, one should also note the inherent limitation of pursuing an industrial dispersal strategy to the backward areas.

## ISSUES IN URBAN PLANNING

### *Current Approach*

The prevailing urban planning approach has been dominated by the British town planning tradition of a garden city characterised by shifting of major industries outside the city limits, 'multi-nodal' transportation on the basis of self-contained settlements, and segregation of land use through development control. In addition, the colonial heritage of urban planning is also discernible through decongestion of the old city and concentrating on developing the suburbs and the civil line. The Task Force illustrates this approach from Delhi's planning

efforts, although the territorial constraints and political imperatives Delhi do not highlight some of these common elements of land-use planning in India, such as the approach of 'conservative surgery' of urban renewal for the old city and the new town approach of urban development (beautification?) outside the city limits. The master plans prepared by the town planners since the Third Five Year Plan for the majority of class I cities have essentially followed the 'new town' approach with wasteful use of land and excess provision of infrastructure. This has resulted in pitching the planning standards far too high that a poor country like ours can afford and the master plans, therefore, have largely been paper exercises. The key problem here, as the Task Force underlines, is the absence of any investment commitment or institutional support through a linkage of such plans with the national and state-level fiscal provisions.

A variant of the new town approach in the metropolitan areas is the concept of developing ring towns or countermagnets. The Task Force has expressed legitimate doubts regarding the success of this approach by pointing out that an alternative to a metropolitan centre is not a nearby small town, but another metropolitan centre. The arithmetic of such dispersal suggests that slowing down of 1 per cent annually in the rate of growth of a 5 million city would need 20 towns of 50,000 each, to stepping up their annual growth at 5 per cent each. This is clearly in excess of the country's resource capabilities, even where the number of available towns adjoining a metropolitan centre is as high as 20. The Task Force examined past national investments for urban development and came to the conclusion that, despite rhetoric, large cities have attracted plan outlays and the total funds invested for the development of smaller towns have been meagre with little integration of development priorities. This is indeed a brutal condemnation of the existing national policies on urban development, although one would wish that the Task Force had made a closer scrutiny and indepth analysis of the implementation of the various five-year plan schemes on urban development in the central and state sectors before dismissing these in such a summary and curt manner.

#### *New Policy Directions*

The Task Force indicates the new urbanisation policy directions for urban development in terms of the following elements: (a) the emphasis must shift from restrictions to a more positive direction of orderly transition from a predominantly rural to an increasingly urban society; (b) the *ad hoc* approach to the various problems of different towns must move toward an integrated physical and investment planning exercise; (c) urban planning should be attempted at a regional and sub-regional level; and (d) the need for greater commu-

nity involvement and exercise of private participation in urban development.

In order to bring about the needed reorientation in urban planning, the Task Force identifies a series of tasks at the national, state and local levels. At the *national level*, the economic planning exercise must work out the spatial linkages and integrate urban projections with economic planning exercise. All investment projects generating direct employment of over 1000 persons or costing more than Rs. 500 million should also be required to file 'urban impact' statements detailing the implied direct and indirect costs of concomitant urban infrastructure made necessary by these investments, in addition to the employment implications of each project—both direct and indirect. The central responsibility includes working out the investments of projected urbanisation for plan outlay at the centre and the states as also the administration of nationally funded schemes for urban development in terms of appraisal, monitoring, and evaluation of projects. Additionally, the central government should strive to introduce innovative urban programmes, organise an urban information system, work out training needs in urban development planning, and stimulate research in urban development. For all these, there is a need to revamp the existing governmental machinery including the Planning Commission and the central ministry—incharge of urban development—along with its technical planning wing and the associated research institute. The Task Force makes detailed recommendations to improve the organisational capabilities at the centre and suggests the launching of a new centrally sponsored scheme for developing the expanded urban planning capability to bring about the needed integration of physical and fiscal planning.

At the *state-level*, the Task Force suggests consolidation of fragmented responsibilities for urban development and a reorganised urban planning machinery to integrate investment allocations for urban development with corresponding physical planning exercises, undertaking regional urban development plans, preparation of physical land use and infrastructure plans for smaller towns within such regional strategies, advising the metropolitan and urban local planning authorities on physical plan preparation, and finally, undertaking the appraisal-monitoring-evaluation tasks of state-funded urban development projects. As at the national-level, for the states also the Task Force suggests the launching of a centrally sponsored scheme for developing such urban planning capability.

At the *local-level*, the Task Force makes detailed suggestions for improving the metropolitan planning directed to bring about investment implications of land-use planning, and adoption of realistic planning standards in conformity with the existing socio-economic

realities of the city. It is important that detailed geographic and economic analyses of the metropolitan regions be initiated under the auspices of the Planning Commission in collaboration with academic and research institutions. Outside of the metropolitan regions, the municipal bodies are to be strengthened for undertaking urban planning for their respective areas within the regional dimensions spelt out by the state-level planning organisation. For the small and medium towns, the state-level organisation would offer technical assistance to meet their planning and organisational needs. The Task Force envisages the procedure for metropolitan planning in terms of the following elements:

- (i) *Population projection*: Projection over the plan period;
- (ii) *Residence and demand for land and housing*: Assessment and projection of housing demand, consideration of alternatives for population distribution, formulation of various housing strategies to meet the total demand, and preparation of a land inventory;
- (iii) *Employment location*: Projection of expanded economic activities and their distribution by occupation, industry and location, demand for land for such activities;
- (iv) *Transport*: Provision of transport links to serve the emerging pattern of employment and residential location; projection of mode split in terms of different kinds of transport; projection of needed transport investments;
- (v) *Public services*: Provision of water supply, sewerage and sanitation, drainage, land development, electricity, etc., in terms of (ii) and (iii) above; cost implications for alternative planning scenarios; costing of different normative standards to be adopted; and
- (vi) *Financing of public services*: Preparation of investment and financial plans for (i) to (v) above; adjustments of fiscal allocation in the light of resource availability.

The entire planning process is conceived in terms of an iterative process and the metropolitan planning authority (MPA) would be charged with taking strategic planning decisions in terms of provision of transport, public services and financing. The existing metropolitan development authorities are to be transformed into planning authorities charged with strategic issues of infrastructure planning and their financing. The detailed land-use and local-level infrastructure planning has to be devolved to municipal authorities.

The Task Force also suggests, as a corollary to the preparation of an urban development plan for each state on regional bases, inclusion

of a metropolitan sub-plan within a state plan since each metropolitan area would constitute a separate region among the various regions delineated. Within a metropolitan area, the responsibility for coordination of physical, financial and investment plan must vest in the MPAs by matching the costs of development to the resource availability and the subsequent revision of priorities and ranges of standards in the light of changing circumstances. The resource assessment should include expected private investments and private contributions towards the provision of urban infrastructure. The MPAs should also prepare a long-term metropolitan structure plan for physical infrastructure should be converted into a medium-term investment plan and integrated with the five-year plan exercises.

Planning at the intra-city or zonal level should be undertaken largely on the basis of a bottom-up approach, taking into account the needs of the neighbourhood population and their affordability. The Task Force commends the experience of urban community development in Hyderabad in this context and suggests its widespread adoption.

While the detailed reform agenda for urban planning, as suggested by the Task Force, is commendable, one could entertain reasonable doubts about a smooth transition from a physical planning exercise to an integrated economic-physical-fiscal plan. For one thing, there is an accepted methodology for preparing the conventional land-use plan which is absent in the case of an economic orientation to urban planning. Even sophisticated economic planning model exercises have their limitation in terms of data and regulation of external influences through migration, financial transfers, and movement of commodities. Planning within a sub-national context, therefore, poses enormous problems which have not been resolved even at the state-level in our country. To expect that such nebulous state plans would contain firm indications of investment for urban development at regional and metropolitan levels is somewhat unrealistic. Nevertheless, as the Task Force suggests, an attempt should be made to make urban planning more integrated and hopefully by the start of the Eighth Plan a firm methodology for urban planning might emerge if we start the process with the Seventh Plan.

One could, therefore, view the Task Force's suggestion as a starting point of a process of transformation through reorienting existing physical plans in the short run and preparing a new type of integrated urban plans eventually. In the short run, the known methodology of the structure plan for the metropolitan areas—as prepared for Madras recently by a team of British consultants—could be attempted. The implications for a new planning approach—both in the short run as also in the long run—for development control and other planning regulations need to be worked out carefully. On the policy side, one notes

that the Task Force has not dealt with the urgent and complex planning problems of the old city centres and one hopes that the Task Force's lack of attention to these problems will not be interpreted as an endorsement of the prevailing tendency of the planners to brush these aside under the carpet. In terms of planning priorities, the inner city areas do have a legitimate claim for a larger share of resources for urban renewal than have been allocated so far.

### *Industrial and Regional Dimensions*

*Industrial tasks:* The Task Force has forcefully reiterated the need for effective linkages between measures for industrial location and those for housing and sheltering the industrial population with central and state-level urban development programmes. Infrastructure requirements involving large resources involve larger issues of coordination at the operative and planning levels. The Task Force makes specific suggestions to bring about necessary coordination as industry-related investment for urban development in different types of industrial towns, viz., single-industry townships (steel and heavy engineering towns, etc.), towns with major projects, and towns with small and medium industries. For the first category, the Task Force suggests setting up of an urban development authority with industry participation but funded separately by the Central Government. For the second category, the suggestion is to provide necessary resources to the local authority through a central financing scheme for project-linked urban development. For the third category, the local authority should be financed through a special state scheme of urban development in the industrial areas.

Higher-level coordination of industrial and urban development need to be ensured through organisational arrangements for plan formulation at the central and state levels. These relate basically to public sector outlays and policies on industrial location and urban development.

*Agricultural towns and service centres.* The Task Force recognised the need for urban development in the rapidly growing agricultural areas for the provision of basic urban infrastructure, as also the need to promote urbanisation in economically stagnant areas. For the first group of areas, the suggestion is to identify the key growth centres within the context of a state's industrial dispersal and regional development strategy. For the second group of areas, the Task Force suggests Central Government intervention through earmarking plan assistance for this purpose. While the first set of suggestions begs the question of efficacy of future regional development programmes at the state level, the second set of suggestions begs the larger question as to how increased level of economic activity might be promoted in the first

place before its urban development implications could be operationalised.

### ISSUES RELATING TO URBAN LAND

#### *Current Approaches*

Urban land policy measures used so far have been directed to curb speculation in urban land through: (i) large scale land assembly by the public authorities, and (ii) imposition of a ceiling on urban land ownership on a graduated scale starting with 500 square metres in the largest metropolitan cities.

The first measure has been used mainly in Delhi, and also in new towns like Chandigarh and New Bombay. The idea is to acquire large areas of urbanisable land in advance of development and thereby freeze land prices. The public sector is then to capture the unearned increments in land value after development and disposal of such land at cost plus development plus prices to the public. However attractive the idea may have been, it has not worked well in practice. The inevitable restriction in the total supply of urban land due to the time lag in acquisition, its development and final allotment by the concerned public authority has resulted in noticeable rises in land prices. Two other side effects of such withholding of large chunks of urban land by a public authority are: (a) land acquisition at low agricultural prices leads to wasteful use of such land by the concerned public authority resulting in sprawling development and shortage of available land later; and (b) the pressure of powerful interest groups for preferential allocation of land at low prices has led to frequent 'land grab' scandals. The net result of the operation of this approach has been minimal access of the poor to buildable urban land, unintended rises in urban land prices, and the working of the public authority with a greater disregard for the end user than the private monopolists.

The urban land ceiling legislation has proved to be extremely cumbersome to implement. Two shortcomings of this legislation are: (a) this is a one-shot affair whereby the future land supply is reduced, and (b) it is horizontally inequitable since within the same metropolitan area the land prices may vary hundred-fold depending on their location. The net result has been an effective restriction in the supply of available urban land, thus spiralling up in land prices in the major urban centres of the country.

#### *New Policy Directions*

The Task Force attempted to classify the land policy instruments as: (a) indirect measures according to their operation through the market, and (b) direct measures involving allocation of land to

different user groups. Indirect methods are to aim at curbing land speculation and increase the supply of private developed land, while the direct methods are to be concerned with making available increased volumes of developed land through the direct participation of the public authorities. A combination of the twin set of measures of land policy would, according to the Task Force, largely achieve the following objectives of urban land policy: (i) to achieve an optimum social use of urban land; (ii) to make land available in adequate quantity at the right time and for reasonable prices; (iii) to encourage cooperative community effort and bonafide individual builders; (iv) to widen the base of land ownership specifically to safeguard the interest of the poor and the underprivileged; (v) to encourage the socially and economically efficient allocation of urban land; and (vi) to promote flexibility in land use.

*Indirect measures:* Reduction of the degree of uncertainty in the land market through increased *planning information* by the concerned public authority is the key to check land speculation. Both buyers and sellers of land would have better information on which to base their actions. Tightening-up of the *approval process* for land development would also reduce uncertainty concerning the future. A well-articulated *property tax*, with regular and timely valuation, would also regulate the land market by bringing-in surplus land in the market when it becomes uneconomic to hold it as a revenue yielding asset. Installation of a proper *land price information system* in the urban areas would help in the assessment of various types of direct taxes, both central and local. More specifically, the Task Force suggests in this context establishment of: (i) a land price publication system, (ii) a system of land ownership records, and (iii) announcement of a 'standard price' for land in the urban fringe areas in a base year with annual adjustments.

*Direct measures:* The Task Force suggests land development by the public authorities through a process of *land readjustment* schemes. The existing technique of large-scale *land acquisition* by the public authorities should be generally avoided; where necessary it is to be ensured that, the farmers should be adequately compensated, arrangements are to be made for their rehabilitation and allotment of a share of development land; and the time taken to acquire notified land should not exceed 2-3 years. However, the Task Force recognises the need for *pre-emptive purchase* of urban fringe land at the announced price plus a solatium of 15-20 per cent to curb land speculation.

The main feature of the land policy measures, as suggested by the Task Force, is that there should be a positive approach toward land development through popular participation and cooperation, rather



than through coercion. One consequence of such coercive land acquisition at low agricultural use prices has been the unjustified use of the 'public purpose' powers for high income housing, commercial development and city beautification at the cost of the farmers. Again, concentration of land acquisition and land development responsibilities in a single public authority has led to its monopoly position which needs to be controlled through bifurcation of these responsibilities and assigning these to different sets of public authorities. The concept of 'public interest', therefore, needs to be defined more clearly so that the interests of all sections of the public are given due weightage. Additionally, the urban development authorities need to be made more accountable by making them prepare annual accounting of land development and disposal to various income groups and for various purposes in terms of clear guidelines to facilitate subsequent scrutiny of their activities.

### *Innovations in Land Development*

The main innovation in the field of urban land development method, as suggested by the Task Force, is the adoption of 'land readjustment' and other similar methods whereby the original land owners are returned a portion of their serviced developed land. The public authority assembles numerous portions of raw land without paying any compensation to the owners, services and subdivides the land for urban use, and then returns a portion of the resulting building sites to the original owners in proportion to their original contributions and sells the remaining sites to cover the costs of land development including infrastructure. A number of variations are possible, such as: (i) the owners may be given equity participation in the serviced land instead of receiving developed plots, (ii) the proportion of land returned to the original owners may vary according to social policy, and (iii) some plots may be auctioned for recovery of development costs. These schemes have been used most extensively in South Korea and earlier in Japan. The resultant land development process ensures capturing a betterment as a result of public investment in infrastructure in kind and thus obviates the need for financial transactions on the part of the public authorities for acquisition, and on the part of the land owners in the form of a betterment tax.

In at least two states in India, Gujarat and Maharashtra, some land pooling arrangements exist under their town planning legislations for upgradation of an area in terms of provision of infrastructure as part of an approved development plan. Land is acquired for public purposes and, after development, the remaining excess land is divided into buildable plots and returned back to the original owners in proportion to their original holdings. Notional land acquisition

costs and betterment tax liability (50% of increment in value) are calculated in terms of a fixed datum, while the excess of the betterment pays for the cost of infrastructure provided by the public authority. The differences between the land readjustment (LR) and the land pooling (LP) systems thus are: (i) LR involves conversion of raw land into developed urban land, while the LP is used for providing infrastructure in semi-developed urban areas, (ii) land under the LR scheme is partly for public uses and partly for plots for sale, while land under the LP scheme is exclusively for public uses, (iii) LR schemes ensure participation by the original land owners, this is not so under the LP schemes where the public authority undertakes implementation in an extremely legalistic manner leading to legal disputes in many cases, and (iv) there is no financial transaction involved under the LR system, while under the LP system the excess of betterment tax over compensation or *vice versa* has to be contributed in cash. The LR and LP schemes would be alike if under the latter additional land were taken from the original owners as betterment contributions in kind rather than in cash.

The Task Force illustrates the operation of the LR scheme in India from the experience of Vallabh Vidyanagar in Gujarat and notes its success. Therefore, even in India this is not an altogether alien idea and it should, therefore, be possible to use the land readjustment method in preference to the more widely prevalent method of large scale land acquisition.

In order that the LR method could be successfully operated under Indian conditions suitable public interventions may be necessary by way of an expanded provision of housing finance, establishing an intermediary agency which brings prospective buyers or developers to the original owners, proper occupational rehabilitation of the original owners, and supply of appropriate information and guidance regarding alternative investment opportunities, etc.

#### OVERALL THRUST

The Task Force report, as outlined above, makes a major contribution to the thinking on urban policy and planning in the country such that has not been attempted before. In doing so, the prevailing town planning and urban land development practices, as adopted in Delhi and advocated for other cities in the country, have been damned as being; (a) too narrow, (b) unrealistic, (c) devoid of concern for the urban poor, (d) misusing of the coercive powers of the state for misguided development, (e) concentrating of monopoly powers of development in a single public authority, (f) lacking of coordination in sectoral development, and (g) devoid of popular participation at all

stages of the development process. The Task Force has dealt with most of these aspects in a very detailed and exhaustive manner, leaving three inter-related implementation aspects of urban development to be dealt with by other parallel Task Forces on finance, management, and shelter. The details to which the Planning Task Force has gone in examining the relevant issues are truly amazing, although one gets the feeling that in many a case a more pointed discussion, rather than dissipation into sidelines, would have been more purposeful. For instance, the initial three chapters of its report read more like an academic exercise which could have been relegated to the Appendix with only the main points brought into the main report. More substantively, the report seems deficient on two counts: (a) the possibilities of private investment in urban development to supplement the meagre public efforts currently being undertaken, and (b) the need for active public participation in the urban planning process. The Task Force no doubt considered these in the context of urban neighbourhood within the urban community development experiments, but a much wider treatment of both these aspects on broader bases seems necessary. Perhaps the other Task Forces would cover these aspects more purposefully; yet, some indications here would have been well-worthwhile. Similarly, a more in-depth discussion of the existing five-year plan schemes on urban development would have laid bare the gaps in policy formulation and the methods of implementation of urban development, so that improvements in urban policy could be considered in a country-wide context. The present Task Force report, by concentrating on the nuts and bolts of urban planning, may have missed an opportunity to relate urban policy to its eventual implementation through a national planning system. On the other hand, two urban policy issues, viz., urban spatial policy and urban land policy, have been exhaustively discussed without much attention to other components of urban policy covering urban services. An indication of the overall policy framework for urban development should have been attempted so that the specific policy dimensions examined by the Task Force could be better appreciated.

Earlier, another Study Group appointed by the union ministry of works and housing considered the strategy of urban development in the country. Its report<sup>2</sup> makes a superficial, if not a totally confused, attempt to evaluate the policy premises underlying the current state of urban policy and planning. In contrast, the Task Force has immensely

<sup>2</sup>India (Ministry of Works and Housing), *Report of the Study Group on the Strategy of Urban Development*, New Delhi, 1983. A review of this report appears under 'Book Review' section of this issue of *Nagarlok*.

succeeded in doing justice to its detailed and comprehensive terms of reference and brought to bear a fresh outlook and analytical approach to the myriad problems of urbanisation and planning for urban development in India. □

# *Financing of Urban Development: An Assessment*

GANGADHAR JHA

URBANISATION IN India, though at a modest level, has been creating serious problems for the provision of urban infrastructure in the towns and cities. In the majority of urban settlements, it is increasingly becoming difficult to manage the necessary funds for capital investment and also for operation and maintenance of the created capital assets. The civic authorities in particular are fiscally so much strained that they are not in a position to even maintain the existing level of services for the burgeoning population. The acceleration in the rate of urbanisation in the decades to come would create state of a fiscal crisis if steps are not taken now to devise ways and means of mobilising the needed financial resources. Viewed in this context, the Planning Commission's Task Force Report on Financing of Urban Development is quite timely and useful in this regard.<sup>1</sup>

The terms of reference broadly required the Task Force to : (a) make projections of the requirements for investible resources, (b) assess the adequacy of urban local finances, and (c) suggest the areas of reforms including possibility of establishing an apex urban development financing agency for the augmentation of funds. The specific terms of reference were the following:

1. To assess the adequacy of urban local finances and the existing methods of devolution of state and central funds to urban areas and suggest reforms;
2. To examine particularly the key local taxes, octroi and property taxes and frame guidelines for their improvement;
3. To examine laws or legislative provisions which affect the financing of urban development and to make appropriate recommendations;

<sup>1</sup>India (Planning Commission), Task Forces on Housing and Urban Development II, *Financing of Urban Development* (mimeographed), New Delhi, December, 1983.

4. In the light of expected urbanisation and income increases, to make projections of the requirement for investment in urban infrastructure over the next 15 years;
5. (a) To suggest institutional arrangements and innovative methods through which there can be greater generation of funds for urban infrastructure investments including the possibility of establishing an apex urban development financing agency; and  
(b) To indicate ways in which more funds could be generated by urban bodies themselves so that there could be a greater degree of self-financing.

The Task Force report broadly contains : (a) an analysis of the existing state of municipal finance, (b) projections of investment requirements for urban infrastructure, and (c) suggested reforms in order to augment the municipal financial resources to rationalise the financial devolution from the higher level of governments and to provide the institutional finance. These three broad areas as covered in the report are worth examining for comprehending the approach adopted by the Task Force in drawing the policy perspective as also the nature of the various policy issues raised in the report for strengthening the waning fiscal health of the urban local authorities.

#### PRESENT SCENARIO OF URBAN FINANCE

The existing state of fiscal capabilities for financing of urban development is examined by utilising the data readily available from various studies of municipal finance, viz.: (i) the Zakaria Committee Report of 1963, (ii) the Town and Country Planning Organisation (TCPO)'s sample study of 344 local bodies in 1975-76 for assisting the Seventh Finance Commission, (iii) the National Council of Applied Economic Research (NCAER)'s sample study of 39 municipal authorities in 1976-77, and (iv) the National Institute of Urban Affairs' (NIUA) study of 1990 urban local bodies (out of the total local bodies of 2613) in 1979-80 for the Eighth Finance Commission. Estimates based on the Zakaria Committee data and the NCAER indicate that the share of municipal sector in the total public sector expenditure has declined from 8 per cent in 1960-61 to 4.5 per cent in 1977-78. But if one goes by the data available in these studies, on face of it, one comes across a paradoxical situation of surplus budgetary position which is utilised to bridge the deficit under the capital account. This paradoxical situation is explained in terms of the statutory requirement of preparing a surplus budget. It nevertheless hides the fact that the civic authorities have not been able to provide adequate level of services and properly maintain the assets created over the years.

But having solved the paradox of seemingly surplus budget with low level of services being provided, the report recreates another paradox. While assessing the growth in municipal revenues and expenditures, the Task Force observes "The annual growth of municipal revenue was only slightly lower (15%) than for state (17.6%) and central government (17.1%)."<sup>2</sup> This, according to the Task Force, suggests that "the overall trend in the municipal budgetary position has not been as bad as is generally believed".<sup>3</sup> This inconsistency, probably, has crept into the report by relying heavily on the NCAER data based on the sample of merely 39 municipal authorities.

The Task Force points to a depleting tax revenue of the municipalities, though the municipal corporations have fared relatively better on this score. However, the data relating to the revenue income of civic authorities from various sources suggest that the own-tax resource base of local bodies has been shrinking since 1960-61. Only the municipal corporations in the metropolitan cities stand out as exception to this as they have been netting about 77 per cent of their revenue income from tax sources. Dependence of other types of local authorities on grants have been increasing. The trend is, therefore, alarming. This coupled with the accepted policy of abolition of octroi, requires emergent action to strengthen the tax base of the local bodies. However, the Task Force feels that the situation is not that bad because the existing wide variations in the growth rate of total and per capita municipal revenues indicates that even with the present system of taxes and other sources of revenue, there is considerable room for improvement in the overall resource situation for urban finance. In the opinion of the Task Force, this has to be accompanied by a much more systematic procedure for the devolution of state taxes and grants.

#### METHODS OF DEVOLUTION

The Task Force has examined the central-municipal and state-municipal financial relations as well as the deficiencies and gaps in it as also in the system of plan financing. Both in pointing out the malady afflicting the existing system of inter-government financial relations and in suggesting a solution, the Task Force report makes a refreshing reading as, for the first time, among the myriad official reports on municipal finance, the Task Force has broken new grounds.

The state-municipal financial relations have at most been based on ad-hocism with the result that a peculiar dualism has come to characterise the financial federalism in the country. Whereas at the national

<sup>2</sup>India (Planning Commission), Task Forces on Housing and Urban Development *Op. Cit.*, pp. 8-9.

<sup>3</sup>*Ibid.*, p. VII.

level, there exists a formal financial relationship between the states and the central government determined and regulated directly by the Constitution, at the state level, the state-municipal financial relations have been, by and large, rather amorphous. There has to be a formal well-structured institutional arrangement for devolution of funds to the urban local bodies on a permanent basis and subject to periodical review. Even though several state governments had Municipal Finance Commissions (Andhra Pradesh in 1971, Orissa and Maharashtra in 1974, Karnataka in 1975, Kerala in 1976, Tamil Nadu in 1980 and West Bengal in 1982), only in the state of West Bengal, the commission could really try to integrate municipal finances with state finances and hence with the central finances.

The financial devolution to the municipal bodies by the state governments presently includes a variety of methods of assigned taxes, shared taxes, revenue grants, capital grants, plan assistance and so on. One comes across a large number of specific grants for financing specific functions without having any systematic periodical review making the system of devolution rather chaotic. In order to rationalise the existing *ad hoc* and chaotic system of grants and plan financing the Task Force underscores the need to: (a) evolve a formula-based grant to replace the existing 'gap filling' approach, and (b) link the municipal plans with the state and the national economic planning. Within such a framework, a system of two-tier capital grant could be conceived by replicating the practices obtaining at the national level. A patterned grant could be given by the state government for those schemes which have overall state priorities. This has to be supplemented by a block grant for financing the municipal authorities' own plans. The Task Force suggests to give a block grant-loan package to them on 2/3: 1/3 basis for financing the plan projects in the municipal sector. In the sphere of federal-municipal financial relations, the Task Force suggests that the existing limited involvement of the central government by way of influencing, advising, exhorting, and providing incentives to the state governments for evolving an enlightened approach has to give way to direct fiscal involvement in urban affairs as is characteristic of other urbanised federations like the USA and Australia through the pass-through provisions. The suggestions are thus unconventional and appear to be the only way out of the existing confused and rudimentary system of inter-government financial relations.

#### PROJECTIONS OF INVESTMENT REQUIREMENTS

An enquiry into the adequacy of urban finance and suggesting the ways and means for augmenting the urban development fund has



inevitably to first estimate the quantum of investment and recurring expenditures. The extent of adequacy of funds can be gauged only against the requirements. The Task Force, in particular, was required by the terms of reference to project the requirements for investment in urban infrastructure.

In order to do this, the Task Force has first worked out the 'norms' for financial investment on the per capita basis and then projected the urban population for the period between 1981 and 2001 AD. The total projected population is then multiplied by the per capita investment cost (PCIC) to get the total quantum of financial investment required between 1981 and 2001 AD. The Task Force thus makes a major departure from the earlier such exercise undertaken by the Zakaria Committee (ZC) way back in 1960-61.<sup>4</sup> It is worth noting that the ZC had estimated 'recurring expenditure', not the financial investment, and secondly, which is more important, the estimated recurring expenditure was based on the physical town planning norms which made the estimate an ideal to be achieved, but divorced from fiscal realities of the country. The Task Force, has, therefore, avoided to base the estimates on physical norms; instead, it has made use of the project level data available for various projects to estimate the PCIC for urban infrastructure. Before examining other relevant aspects of this exercise, it would be desirable to have a look at the methodology of this estimate.

At the outset, it is worth mentioning that for the purposes of estimation, the relevant urban infrastructures include water supply, sewerage/sanitation, solid waste disposal, storm water drainage, roads, street lighting and land preparation. These constitute the 'core' services 'traditionally' being provided by the civic authorities and constitute the minimum requirement for urban development. Estimation of costs at the macro level obviously involves several pitfalls as there are host of factors at the local level which go to determine the cost of urban infrastructure. The Task Force seems to be very much conscious of these pitfalls and recognising the great variety of factors influencing the PCICs for urban infrastructures, cautions that the estimates have to be regarded as 'extremely crude average'. In order to cope up with these problems, the Task Force has adopted two partial solutions: (i) projections for each of the principal categories of urban infrastructure service, and (ii) a range for PCIC estimates rather than a single number.

The PCICs were originally intended to be estimated for each core urban infrastructure (UI) taking due care for the type of technology

<sup>4</sup>India (Ministry of Health), *Augmentation of Financial Resources of Urban Local Bodies*, Report of the Committee appointed by the Central Council of Local Self-Government, Delhi, 1963.

involved and the city size, as the type of technology and the design standards have their own influence on costs. Later, it abandoned the estimate on city size because it came across two 'opposing factors' reducing the strength of the association: (a) A bias in favour of higher design standard and quality of service would suggest higher PCIC for larger cities, and (b) the economies of scale attributable to larger and denser service populations would work to reduce the PCIC in larger cities.

The Task Force, therefore, worked out only 'high' and 'low' estimates and in the case of water supply, and sewerage and sanitation—two of the most expensive service categories—the PCICs have been worked out for alternative technologies also. As mentioned earlier, the estimates are computed on the basis of data relating to actual costs of recently executed projects in different parts of the country. Estimates for water, and sewerage and sanitation, for example, are based on the data contained in the Master Plan document for the International Drinking Water and Sanitation Decade. For other core services, the estimates are based on a variety of project-based information and the cost estimates from the World Bank urban development projects, as well as information from the Housing and Urban Development Corporation. The estimated PCIC range varies from a minimum of Rs. 740 to a maximum of Rs. 1450. The estimates for each urban infrastructure are aggregated to get the total requirement. This is cross-checked by yet another method (Method B) which is based on the total investment cost per acre for new urban development at various densities.

Having thus worked out the estimates for total investment requirements, the Task Force took due consideration of the backlog of urban population not served by the infrastructures, and of depreciation. These together finally indicate that an investment of Rs. 4,360 crores (low) to Rs. 6,960 crores (high) is required during 1981-86. During 1986-90 the corresponding figures are Rs. 6,021 crores and Rs. 10,016 crores. For the period 1991-95 and 1996-2000 the low and high estimates are Rs. 7,389 crores and Rs. 12,205 crores and Rs. 8,252 crores and Rs. 13,887 crores respectively.

The projection exercise obviously has certain deficiencies, some of which have been acknowledged by the Task Force and others have not been mentioned. The weaknesses as acknowledged by the Task Force include the lack of concern of this exercise for the quality of services. The PCIC estimate for some of the services is based on the cost information of the projects and for others like road, for example, is based on the existing per capita availability. It, therefore, does not take into account the quality aspect of the services. Moreover, the variety of physical, technical, and socio-economic conditions

obtaining in different towns and cities and in different states does not permit the aggregation of average cost at the national level. Thirdly, the estimate does not take into account the industrial and commercial needs. There are other deficiencies as well, as acknowledged by the Task Force. However, there are still some major drawbacks in the estimate not acknowledged in the report. Firstly, the estimate pertains only to the requirements for capital investments. Revenue expenditure need for operation and maintenance have not been taken care of by this projection of needs. As the suggestions part of the report and also the first chapter deal mostly with municipal finance, the Task Force should have taken into account the maintenance requirements also in the projection of the need. Thus whereas the ZC took into account only the recurring expenditure needs, the Task Force has confined itself only with the capital investment needs. Secondly, some of the basic municipal functions like primary education and health (both preventive and curative) have been excluded from the ambit of municipal core services included in the projection. This has been done on the ground that they are "more manpower intensive, with proportionately greater requirements for recurrent (or 'revenues') expenditure". It is worth mentioning that education and health together account for 35 to 45 per cent of municipalities' revenue expenditure. They have a huge capital expenditure elements also. Hence their exclusion, coupled with the neglect of revenue expenditure requirements, and the deficiencies as mentioned by the Task Force itself, make the estimate on a lower side. Besides, the estimate does not serve the purpose of evaluating the revenue expenditure requirements of the civic authorities. It is also not clear that when the components like water, sewerage, street lighting, roads, storm water drain, etc., which form part of land development, have already been included in the projection, what is the significance of 'land preparation' as a separate item in the projection.

The aforesaid weaknesses of the projection exercise notwithstanding, it is a welcome departure from the ZC exercise and in fact it provides a new methodology and hence represents the state of art for projecting the investment requirements. This can further be perfected by adding the missing links in it. It is felt that the exercise would be more useful if the projections are made by aggregating per capita costs at the state level. But in any framework of financing of urban infrastructures, the operation and maintenance expenditures have inevitably to be taken due care of.

#### SUGGESTIONS FOR REFORM

Having analysed the existing state of municipal finance, methods of financial devolution and projected estimates for the required financial

investments, the Task Force has finally given several suggestions for augmentation of financial resources. The areas of reforms as suggested by the Task Force include: (1) improving the administration of two major municipal taxes, viz., property tax and octroi, (2) increasing application of user charges, (3) rationalisation and systematisation of financial devolution from higher levels of government for both plan and non-plan financing, and (4) augmentation of institutional finance. Before passing any judgement, it would be apt to first look into the nature of reforms suggested by the Task Force in these spheres

### *Municipal Taxes*

The Task Force has examined only two taxes—the property tax and octroi, which together constitute the mainstay of municipal finance in the country.

*Property tax* : The Task Force has examined three types of properties for recommending the policy steps: (i) rent controlled properties, (ii) rented properties not subject to rent control, and (iii) owner-occupied properties. For the rent controlled properties, the Task Force suggests that even though the controlled rent (standard rent) has to be taken as the base for the assessment of the tax, periodical revision of the standard rent itself should be statutorily provided by amending the rent control law. As in Delhi, the Task Force suggests to allow the rent control holiday for five years and thereafter the rent reported for the sixth year should be deemed to be the rent for the sixth year and then onwards provides for its periodical revision every 3 to 5 years in accordance with the central government's DA formula. For the old properties, it suggests to increase the standard rent by 50 per cent of the percentage increase in the consumer price index between the year of fixation of rent and the present time and then onwards to revise it every 3 to 5 years.

The Task Force's recommendations are in line with the suggestions given by the Economic Administration Reforms Commission. It may be mentioned in this regard that the rent control law is said to be a social legislation intended to achieve the social objective of providing security of tenure to the tenants belonging to the low income groups. The periodical revision in the controlled rent may put them in economic hardship. There are other options possible in this regard and it was apt that those could have been considered by the Task Force so that the objectives of resource mobilisation as also security of tenure could well have been achieved at the same time. One possible option could be to amend the rent control law by delinking municipal assessment from control. In such a situation, the property owner shall have to pay the tax on the basis of market rent though actually

he will be receiving a lesser rent from the tenant. In order to provide relief to the owner, the difference between the tax liability based on the market rent and the actual standard rent should be recoverable by the landlord from tenant. Yet another option could be to determine a cut-off point on the basis of floor area and restrict the provision of the rent control law up to that cut-off point only. The basic assumption behind this is that smaller houses are occupied only by the low-income group who should be provided protection by the rent control laws.

For the second type of properties, on which the provisions of rent control law do not apply, the Task Force suggests creation of a central valuation board which would primarily lay down norms, impart training, and perhaps also undertake sample checks. After the Supreme Court's famous judgement of 1980 on the property tax (in *Dewan Daulat Rai Kapoor's case*)<sup>5</sup>, the reasonable rent is only the standard rent and hence the second type of property, as considered by the Task Force, would be a microscopic proportion to the total housing stock. For such small number of properties, constituting a central valuation machinery does not make sense unless attempts are made to bypass the Supreme Court's judgement on the subject.

For the owner-occupied properties, the Task Force would like to keep the tax component (not the service charges) moderate. It even suggests to treat such properties as though these were subject to the rent control. It is rather difficult to agree with the observations of the Task Force to have a lenient attitude towards the owner-occupied properties. The Task Force goes even to the extent of saying that : "As more and more middle class and lower middle-class people begin to acquire residential property in our towns and cities, a special treatment then for property tax purposes . . . becomes crucially important both from the quality point of view and from the point of view of making the tax acceptable to the general public." (p. 108).

This contention could be contested both on the conceptual plane, and on the practical plane. At the conceptual level, discrimination in favour of the owner-occupier would not be justifiable either on the basis of ability to pay or according to the benefit principle. This would mean that the tenants are economically better off and, secondly, it would not be conforming to the similar treatment of similarly situated persons. The properties, irrespective of whether they are owner-occupied or tenanted, enjoy the same level of services and amenities and there does not appear any reason whatsoever for giving special treatment to the owner-occupied properties. In fact, the objectives of providing shelter and houses to the economically weaker

<sup>5</sup>AIR 1980 SC, p. 541.

section (EWS) and the low income group (LIG) is posing serious problems for reconciling the plan objectives with the fiscal objectives of resource mobilisation. We have the example of about 45 relocation colonies of squatters in Delhi which have not yet been taken over by the Municipal Corporation of Delhi on the ground that they are not expected to contribute anything by way of property tax. Another sprawling colony—Rohini—being developed with about 75 per cent of the plot earmarked for the EWS and the LIG. This is again likely to create the financial mobilisation problems for civic body. Giving special favour to the owner-occupied properties does not seem to be pragmatic even from the point of view of resource mobilisation efforts. There is the classic example of Ahmedabad where, if the rebate given to the owner-occupants is withdrawn, the proceeds from the tax would increase by about 300 per cent.<sup>6</sup> The repeated reference to the 'Property Tax Act' in the report is also not clear as there does not exist any separate Act in this regard. Provisions for valuation and assessment of property tax are provided in the various municipal statutes in the country.

*Octroi* : The buoyancy and elasticity associated with octroi make it a very good instrument for resource mobilisation. However, this tax has been a much maligned tax, chiefly because of its tardy assessment procedure, delay in releasing the vehicles, corrupt practices involved in the assessment, and adverse effects on the trade and transportation. In view of these, the Task Force observes that it cannot form part of a modern system of taxation. But it does not favour its abolition unless there is a viable alternative. A surcharge on sales tax, confining octroi only to the metropolitan cities and abolishing it from other towns and cities by imposing a state-wide surcharge on the sales tax, and its substitution by a state-wide entry tax on the lines of the MP entry tax are some of the alternatives examined by the Task Force. It has not favoured the conversion of octroi from specific to *ad valorem* as it is likely to give rise to disputes and greater corruption.

The Task Force has thus taken a pragmatic view by not suggesting the outright abolition of octroi. Notwithstanding the contemporary zeal to abolish it, the structure of municipal finance as it exists today, does not permit taking of such a step. A better step would be to free it from the snags presently associated with its assessment procedures. The adverse economic effects associated with octroi apply to other indirect-taxes as well and the charge of corruption is equally universal for all the taxes, whether direct or indirect.

<sup>6</sup>Shibshanker P. Gupta, "Reforms in Urban Property Taxes: A Case Study of Municipal Corporations in Gujarat", *Anveshak*, Vol. I, No. 1, June 1971, pp. 35-53.

### *User Charges*

The Task Force suggests increasingly larger reliance on the application of user charges for financing the urban infrastructures. An element of *quid pro quo* associated with the user charges, easy application of the principle of exclusion, and smooth flow of institutional finance are some of the good points associated with user charges. In applying the user charge, the objective should be to recoup the operation and maintenance cost and also the capital cost of the service in question. The Task Force has identified the services for which the application of user charges would be rather easy and gainful. Water supply, sewerage, solid waste disposal, area development, shelter and urban renewal are some of the services for which the use of user charge is suggested by the Task Force.

For water, the Task Force suggests to adopt a discriminating policy for different types of consumers, namely, industrial, commercial, domestic, and institutional. Among the domestic consumers, the pricing policy has to be based on the concept of cross-subsidy. Such a discriminating price policy, besides helping in recovering the costs and probably generating some marginal surplus for future expansion, would also help in conserving the water resources of the country. For sewerage, it suggests to levy a sewerage surcharge on the water rate for certain ranges of properties. Solid wastes disposal happens to be one of the most expensive items of expenditure in the revenue budget of municipal bodies. Attempts therefore have to be made for reducing this cost. For the purposes of cost recovery, it suggests imposition of a solid waste charge on each property, allowing 5 persons per property. The charge has to be imposed on the basis of solid waste generation. For industries and commercial enterprises also a charge has to be imposed for collection, renewal and disposal of solid wastes.

As regards the trinity of area development, shelter and urban renewal, it suggests to treat these as a composite system and the cost recovery should be based on the cross-subsidy from income group to income group, from land use to land use, and also from urban renewal to urban renewal.

The concept of user charge for the financing of urban infrastructures is a very useful and increasingly greater use must be made of the user charges. They promote discipline to a large extent in financing of services which in turn facilitates the inflow of institutional finance. But owing to higher concentration of the LIG and the EWS in our urban areas, it would not be possible to recover the costs because the provision of services shall inevitably have to be based on an element of subsidy. An unusually high rate of user charge may ultimately also result in reduced consumption. Hence there has to be a mixture

of user charges and taxes—both specific and general—for fully recouping the costs and probably even some additional funds for future service expansion, as is being done in Bombay.

### *Financial Devolution*

The devolution of funds from the higher levels of government is suggested on a permanent basis taking due account of the precarious fiscal condition of the municipal authorities. In order to have a suitable machinery in this regard, the Task Force suggests to set up a Municipal Finance Board as a standing institution. The Board would constantly review the local finance, maintain the municipal data and provide secretarial support to the Municipal Finance Commission to be constituted every five years. The Commission would determine the distribution of the share of taxes and the amounts of grants-in-aid to be given for equalisation purposes. The Task Force suggests that the central government should also contribute towards augmentation of the municipal fund. It, therefore, suggests that 5 to 10 per cent of the corporation income tax should be earmarked for the local bodies. This would mean an addition of at least about Rs. 200 crores. Besides this, the state governments should give 100 per cent of the profession tax and at least 50 per cent of the entertainment tax to the municipal bodies. Other substantive aspects of financial devolution and plan financing has already been discussed earlier in this paper under the existing state of municipal finance. In fact, the suggestions offered by the Task Force in this regard are immensely useful and as mentioned earlier, it has broken new grounds in suggesting the framework for financial devolution. However, it is worth noting that the profession tax is already being utilised by the civic authorities in majority of states.

Apart from these spheres of reforms in the policies and financial instruments available at the local level, the Task Force has suggested to reform the budgetary practices also by separating the revenue and capital accounts in the municipal budget. This would help in bringing about an integration between municipal planning for augmenting the municipal infrastructures and their financing from municipal and state sources. Among other benefits, this would bring financial discipline among the municipal bodies and would be instrumental for the development of institutional finance for urban infrastructure.

### *Institutional Finance*

The magnitude of capital investment for providing urban infrastructures is quite large. The accessibility of the local bodies, on the other hand, to capital funds is limited, as they are not in a



position to mobilise resources for discharging even the maintenance responsibilities. Raising of loans is also constrained by the control exercised by the central government and the Reserve Bank of India. In view of these, institutional finance remains the only hope for augmenting the capital investment fund at the municipal level. The Task Force, therefore, suggests to set up an Urban Finance Institution (UFI), initially at the national level and subsequently the various state governments should also take necessary steps to set up the UFI in states. The UFI at the national level should have an equity capital of Rs. 200 crores to be contributed by the Reserve Bank of India (Rs. 100 crores) and other development institutions. Besides meeting the financial investment needs of the local authorities, the UFI would also contribute towards development of expertise in designing, monitoring and evaluation of urban infrastructure.

This is a very useful suggestion and has been offered before also. An Urban Development Finance Corporation has been operating in Kerala for quite some time and it has proved to be very useful in making available capital finance to the various urban authorities. However, due to small capital it has been confining its operations, by and large, to commercial ventures only. The UFI, as suggested by the Task Force, should be immensely helpful in augmenting the urban development fund in the country. What is now required is an inclination on the part of the government to give shape to this valuable suggestion.

#### AN OVERALL VIEW

We have so far examined specific areas of analysis by the Task Force as also the spheres of reforms suggested by it and attempted to raise pertinent issues pertaining to financial devolution. Undoubtedly, the Task Force report has provided a methodology for projecting investment requirements for provision of urban infrastructures and has given useful suggestions for mobilising the financial resources. But taking the total overall view, besides containing some bright and brilliant ideas and issues, the report is also hazy with respect to some other important aspects of urban local finance. The terms of reference required the Task Force to assess the adequacy of urban local finance and to indicate ways in which more funds could be generated by the urban local bodies themselves. Adequacy of urban finance can be measured against the estimated requirements. The report does give an estimate of capital requirements but it does not include the maintenance costs involved. The judgement on the adequacy of resources is, therefore, not precise and comprehensive. It seems that by merely improving upon the administration of property tax

and octroi, and applying the concept of user charges, the local bodies would be mobilising sufficient revenue to take care of their expenditure commitments. It is felt that in order to be precise, the Task Force should have included also the recurrent expenditure needs into their estimates and then analysed the likely contribution from municipal tax and non-tax source in order to arrive at the fiscal gaps, if any. Ways and means of bridging this gap then could have been devised either through the addition of new taxes into the municipal tax list or through a judicious mix of improvement in tax administration and methods of financial devolution. It is possible that the constraints of time and other resources probably did not permit the Task Force to go into those details. It is worth mentioning that the Task Force submitted its report in a short period of about nine months. This was too short a period to have a comprehensive enquiry into all the relevant aspects of local finance. The Task Force has focused on fiscal dimensions of urban development; what is now required is a receptivity to the valuable analysis and useful suggestions of its report if the basic urban services and amenities have to be provided efficiently and equitably in the years to come. □

## *Management of Urban Development: The Critical Issues*

ASOK MUKHOPADHYAY

THE PHENOMENON of urban development has been engaging the attention of the governments in India since the 1960s. As the pace of urbanisation started growing rapidly since the Fourth Five Year Plan, the planners and policy-makers had to take serious note of the various aspects of human settlement in towns and cities. Currently 12 cities in India, including the four big metropolitan cities, have each crossed the million-plus figure of population. About a quarter of the country's total population now live in urban areas. At the same time, the quality of life in urban areas is steadily declining, especially in large and metropolitan cities. During the last decade a few urban development programmes have been implemented with varying degrees of success, but the magnitude of the problem of managing urban development seems to have eluded any solution. As these urban development programmes were adopted as crisis-management measures for grappling with different aspects of the urban chaos and were not based on sound policy-analysis, it has not been possible to arrest the deteriorating conditions of urban living. Against this background experience of urban development efforts in India, it is heartening to find that the Planning Commission seems to have recently realised the gravity of the problem of urban development. On the eve of drafting the Seventh Five Year Plan, the Planning Commission set up in January, 1983 four Task Forces on different aspects of urban development.

Urban planning and financing of urban and metropolitan planning had earlier received some attention at the highest official level during the 1970's but the management aspect of urban development never received any serious attention before. The earlier focus had never been on devising any suitable management structure and policies for implementing urban development programmes. The problem of management of urban development as such is now seen to have received serious attention at the official level in the report of one of the

four Task Forces of the Planning Commission.<sup>1</sup> This report is welcome both for its pioneering venture in studying a hitherto neglected aspect of urban development and also for its quite able analysis of the nature and importance of viewing management functions and responsibilities as a tool for implementing urban development programmes. The Task Force on management appears to have sought to relate various concepts and issues of urban development with the realities and practices followed in this field. It has not limited its exercise to exhortation alone, it has boldly suggested some policy intervention for ensuring better management of urban development than has been experienced so far. The roles of the central government, state government, and local government in the urban development process have been examined from the points of view of both policy and strategy, but the Task Force has however, quite understandably, resisted the temptation of pronouncing any policy prescription for management of urban development.

The Task Force on management of urban development had reasonably comprehensive terms of reference which included:

- (a) assessment of the existing role of local authorities in the management of towns and cities, and a critical review of their responsibilities and functions as expected and how they are discharged in practice;
- (b) examination of the relationship between local authorities and urban development authorities, and their role in urban management;
- (c) indication of the directions in which the management of urban development may be improved over the next fifteen years, and consideration of specific measures for maintenance of development assets and strengthening of local authorities;
- (d) examination of the feasibility and desirability of the decentralisation of urban management in large cities, and specific consideration of the widespread urban community development programme; and
- (e) examination of the existing systems for training in urban management and suggestion for their improvement.

#### ROLE OF MUNICIPAL GOVERNMENT

The municipal government in India exercises its powers in terms of the *ultra vires* doctrine and exists, under the Indian constitutional

<sup>1</sup>Government of India (Planning Commission), Task Forces on Housing and Urban Development III. *Report of the Task Force on Management of Urban Development*, New Delhi, September, 1983 (Mimeo).

system, at the sufferance of the state government, has been pointed out earlier by academics and students of municipal government. In India the municipal bodies are traditionally given some obligatory and discretionary functions. Sometimes these functions are too many to be performed by the municipal bodies with their limited finances and management capability. Where there are palpable limits to performance, the classification of functions into obligatory and discretionary loses significance, especially when there is no legal compulsion to take up discretionary functions only after delivering the obligatory services. Moreover, the point of functional jurisdiction of municipal bodies becomes irrelevant in view of the latest trends in creating special agencies for urban development. It appears really refreshing that an official body like the Planning Commission's Task Force has now assertively argued to rejuvenate the system of municipal government and decried the increasing tendency to create specialised agencies, like development authorities, and give them power and functions of permissive, proscriptive and prescriptive nature, and to deprive the urban local authorities of any effective role in the management of urban development on the grounds of "a phantom distinction between capital works and maintenance." It has been rightly argued that asset creation and its maintenance do not constitute a distinct set of functions for the local bodies but only a process for fiscal purposes. This artificial hiatus between capital expenditure and maintenance responsibility has however reduced municipal government to something like 'sweeper-and-dustbin' authorities. As municipal bodies suffer from severe resource constraints, they cannot maintain the investments which are consequently threatened with early damage or repair. Their involvement in the planning process for urban development has been perfunctory and municipalities therefore do not view the additional investment made by development authorities as their own; maintenance responsibility is seen as a burden imposed on them. From financial and personnel points of view, municipal bodies continue to be weak and this weakness of municipal bodies weakens the development authorities themselves. The Task Force has, therefore, suggested that municipal authorities "should be consulted and involved in the planning and execution of schemes so that they can give prior commitment to future maintenance".

In this connection the case for state-level utility bodies, like water boards or drainage and sewerage boards, needs to be examined afresh. If such boards or special authorities are needed for technical reasons, there remains the option of making these special authorities work as agents of municipal bodies for achieving the programme objectives. Deputation of experienced and skilled personnel to municipal bodies can also be thought of without depriving the urban local authorities of

their basic municipal functions. This seems necessary not on ideological grounds alone; there are other practical reasons why services like water supply, drainage, sewerage, conservancy, roads maintenance, and street lighting should be administered by a democratically accountable body. In the interest of responsiveness to public needs and efficiency in service distribution, representative bodies like municipalities need to be associated with management of urban services so that proper democratic accountability and financial responsibility can be maintained, and the benefit of local knowledge and participation of local people in planning and implementation can be fully derived. In the entire field of urban management this issue appears to be most critical today. The Task Force has agreed that development authorities and specialised uni-functional agencies are not *a priori* necessary, and seems to have argued that such agencies can be justified only in cases of trans municipal projects involving inter-municipal jurisdictions, and also in respect of functions like planning, investment, regulation and promotion of urban development. However, the real point is that reform of urban government has never been taken seriously and the case for urban development authorities would not have arisen at all if urban government were reformed in response to the changing needs of urban development programmes. Reverting basic municipal functions to municipal bodies is not enough. Responsible as well as responsive urban management in a democratic country would necessitate the vesting of development responsibilities in municipal bodies. The Task Force has rightly underlined the basic defect but does not seem to be prepared to accept the final conclusion of the logic involved. Presumably it did not want to take a position which would amount to making policy announcement.

Thoughts on improving municipal management invariably leads to considerations of financial resources of municipal bodies. As municipal bodies are to depend largely on fiscal transfers from state government for meeting development expenditure, there is a strong case for appointing state-level Municipal Finance Commissions. The latest official thinking on municipal finances does not seem to favour a gap-filling approach; the emphasis is shifting to devising a suitable devolution method a term of their resource endowments and efforts which would provide suitable incentives for municipal bodies to improve their own resource generation and management methods. Unless management capability can be sufficiently improved, municipal finances cannot have any stability of its own. This is a very practical argument for improving the quality of management for urban development. Inefficient municipal management has led to low tax collection, increasing arrears, huge defaults in billing and serving demand notices, widespread underassessment, defective licensing and poor

collection of fees and other municipal dues. Scientific fiscal planning as a part of internal management improvement is a specific necessity in this regard.

By this time almost all state governments have enacted their town and country planning legislations which generally impose a considerable responsibility on the local bodies for control and regulation of land-uses, zoning regulations, building bye-laws, development control and preparation of local-level spatial plans within the guidelines of the state government. Today the overall strategic planning for urban development rests at the state-level. In this context it seems appropriate that municipal bodies should have power to do local-level spatial planning so that local conditions can be appropriately accounted for. If smaller municipalities do not have the necessary planning skill and personnel, trained planners can be deputed from the state level to municipal bodies. This arrangement, if accepted and implemented, would provide sufficient power and prestige to municipal bodies in the process of urban development. It seems quite appropriate that effective urban management and improved urban planning are to converge at the level of representative local government.

All talks of improving the management pattern for urban development would, however, remain meaningless unless municipal bodies are protected against the sword of Damocles hanging on their heads in the form of the threat of supersession. About 60 per cent of municipal corporations and about 85 per cent of municipalities throughout India remain superseded today. The Task Force has admitted that "little evidence is available that the administration of these municipalities has improved measurably under the direct administration of the state". Supersession period happens to be very prolonged in many cases for a variety of reasons, and "most decisions of a political nature, such as taxation, are found to be deferred on ground that they should await municipal elections". What appears most disgusting, indefensible, and damaging to urban management, is the unprincipled and palpably partisan use of the dissolution power by different state governments. Since the superior government has always to be given a reserve power as the right to supersede any erring municipal body, the alternatives to the ultimate weapon of the supersession power deserves careful consideration. The Task Force has suggested to shorten the supersession period and hold elections within six to twelve months. This is, no doubt, one alternative. But there can be other alternatives also: for example, provision for a hearing by an independent tribunal before using the sword of Damocles. The Task Force has not considered such alternatives.

## CITY-LEVEL MANAGEMENT

Growing urbanisation beyond traditional city limits indicates the need for a systematic policy on municipalisation. The first principle that should be accepted as a public policy is that the governance of urban areas is essentially a municipal function, and that provision of services has to be sustained by local taxes as far as possible. When non-municipal agencies are allowed to provide services, the situation gets complicated as the tax-base is not properly utilised. Reviewing municipal boundaries in response to growing urbanisation from time to time seems necessary; otherwise urban fringe areas would always pose a problem for management of urban development.

Since independence more than a hundred new cities have come up and in most of these cities special development authorities have been entrusted with the task of management of urban development. But except for the dubious distinction between development and maintenance activities there is little justification for creating specialised sectoral agencies or development authorities. If the basic idea of some obligatory municipal functions is accepted, provision of essential services like water supply, drainage, sewerage, conservancy, street lighting and so forth should be the management and fiscal responsibilities of municipal bodies. In fact, as the Task Force has shown, urban development authorities do not exist in about 150 class I cities, and their creation cannot be the lasting solution for urban management. Such development authorities may be justified in big metropolitan areas where existing municipal bodies cannot be amalgamated together. The urban development authorities are not responsive to local needs and conditions, because they are essentially nonrepresentative in character. Many of the sixty or so urban development authorities created so far have not been able to take off as successful urban management agencies. They degenerate into public works agencies and fail to establish any coordination with the representative local body. Since capital expenditure funds are given to these development authorities, municipal bodies are effectively weakened still further and fail to carry out their maintenance responsibility. Hence it appears that strengthening of municipal bodies rather than creating new development authorities would be the right answer to the management challenge of India's growing urban areas.

## NEED FOR DECENTRALISED MANAGEMENT

Any urban management job is a complicated one and needs to be strengthened at the grassroots. The collection of user charges and other municipal dues are facilitated through a decentralised form of



organisation. Big city management requires a second-tier administration to establish closer contact with citizens and efficient delivery of services. This job would be further facilitated if urban community development programmes can be organised under the aegis of municipal bodies. Experience of such programmes at the Hyderabad Municipal Corporation shows that urban community development programme implies decentralisation of urban management process and would ensure people's participation in planning, execution, financing, monitoring and evaluation of development projects. Where municipal boards (councils) are superseded, there is no representative link between citizens and municipal government. There seems to be a strong case for creating an intermediary organisation between city-dwellers and municipal government in order to ensure public participation and smooth implementation of development projects. The key ingredient necessary for efficient resource mobilisation is that the public must be convinced that taxes and user charges are indeed related to the benefits that are supposed to occur. Experience shows that where the public perceives such a relation to be existing, payment is readily made. Poor neighbourhoods have been found to be readily paying for essential civic services if they see payments directly related to services.

But decentralisation in city government in India has been limited to administrative deconcentration. There is up till now no political or governmental decentralisation in urban management. Considering the state of affairs prevailing and the current of opinion dominating in India there is no immediate possibility of political decentralisation in urban management. Hence in the immediate future the emphasis has to be placed on administrative deconcentration for making urban management machinery more functional, responsive, accountable and efficient.

#### MANAGEMENT OF METROPOLITAN AREAS

It has been estimated that by 1991 about 20 cities in India would have million-plus population. The Task Force seems to have justifiably argued that because of their economic, political and social significance in the national life, these metropolitan cities deserve a separate kind of level and treatment of their management.

Under the existing arrangement in the metropolitan cities the metropolitan development authorities, municipal bodies and state-level or metro-level utility undertakings coexist, the allocation of tasks among them has been *ad hoc* and has not followed necessarily territorial, technological or functional imperatives. Different metropolitan development authorities have different roles and functions, varying in response to the local peculiarities and inter-organisational

relations; in some cases, such authorities have been suffering from a crisis of their role identification. This seems to be natural in the context of varying regional needs and peculiarities. The management of metropolitan system is also adversely affected by the fragmented nature of urban government in these areas. Necessary review of municipal boundaries appears very urgent for establishing some sort of an administrative cohesion in metropolitan management.

Apart from municipal functions, the management of metropolitan areas involves some other functions like telecommunication, traffic and transport, higher education, public safety, pollution control, hospital administration, trade and commerce and so on. In scope and character these are metropolitan-level functions which require metropolis-wide perception, analysis and coordinated action. Theoretically speaking, elected metropolitan-level government would have been an ideal institution to manage these functions. But in India there has been no attempt to establish metropolitan government on the lines of London or Toronto. Instead, metropolitan development authorities have been set up, and most of these authorities have concerned themselves with municipal functions. The argument in favour of such a course of action has been that certain services like water supply, drainage, or roads, or activities like land development and disposal, slum improvement, urban renewal, or commercial space development require metropolitan-wide activity, and there are some distinct advantages in doing so, viz., reduction of disparities in standards of services, economies of scale, use of more sophisticated and costly technology, better access of financial and other resources. But, as the Task Force has pointed out, this kind of centralisation of metropolitan functions does not produce better coordination, and serious problems do arise in respect of operation and maintenance. A major vexing issue is cost recovery for the services rendered. One possible solution would be to do away with the dichotomy between responsibilities for capital investment and those for operation and maintenance. The maintenance agency itself can be given the responsibility for capital investment, and other necessary charges in planning, so that resource allocation could be made accordingly. The proper management functions of metropolitan authorities would be determination of priorities, timing of investments, coordination and consistency between the plans adopted by different sectoral agencies, and finally, monitoring and evaluation. Metropolitan management is likely to suffer if metropolitan authorities are reduced to line agencies and does not possess any overriding and corporate concern for the metropolis as a whole.

In the near future the metropolitan authorities in India would have to develop necessary skills and manpower resources in respect of strategic planning, investment programming, resource allocation and

policy-coordination. The current emphasis on project management and execution has to be replaced by policy-analysis, strategic planning, and monitoring and evaluation of metropolitan development programmes. The critical importance of the need for this shift of focus on metropolitan management can hardly be over-emphasised.

The development of metropolitan areas would never be meaningful and effective unless urban management takes as its goal to raise income and create employment opportunities. Economic activities in large cities have to be developed as an important component of capital investment programmes. This seems to be a crucial task which metropolitan management cannot avoid.

The management of metropolitan development should seek to help municipal bodies and sectoral agencies which, in practice, suffer from varying degrees of organisational inertia, inability to perceive and respond to the changes in the nature and scale of services required, and chronic insufficiency in financial and material resources. Metropolitan management must address itself to the task of providing the municipal and other sectoral line agencies with necessary relief from these constraints. The Task Force has therefore rightly recommended that the process of metropolitan investment planning needs to be related to the state-level planning which, in turn, is related to national planning. In order to achieve this planning integration, capital budgeting has to be used as the principal instrument for implementing perspective plan for the metropolis through proper mechanism of monitoring and evaluation.

Metropolitan management in India would be more successful if it is developed as a platform to achieve consensus rather than a command post to lead public works programme. Actual experience in Calcutta has shown that the coordinating process or integration of capital investment programme is not enhanced or assured by bringing various metropolitan level agencies under the so-called 'one-umbrella' concept. Recently the third phase of metropolitan development programme in Calcutta (CUDP-III) has sought to hand over about fifty per cent of project formulation and execution responsibilities to municipalities. The arrangement commends itself not only on ideological grounds but also on practical grounds, because investments in metropolitan areas are the concern of numerous agencies of central, state, and local government.

The next critical issue is the organisational design for metropolitan management. On this point there is a strong theoretical case for a two-tier organisation of the elected metropolitan government as has been introduced in some cities in the U.K. and Canada. This type of organisational design can be successful on fulfilling a variety of pre-conditions such as developing a sophisticated system of revenue-

sharing between the metropolitan authority and the local councils and a careful balance between the planned growth of the core and peripheral areas, distributing functions between the two tiers through rigorous planning exercises, and delicate political persuasion. But above everything else there needs to be a strong tradition and proven competence of local authorities in the delivery of municipal services, tax administration, and personnel management. None of these preconditions can be said to be present in the metropolitan areas in India at present. The experience of the Municipal Corporation of Greater Bombay presents both the opportunities and limitations of establishing metropolitan municipal government. In India so long as the superior governments at the national and state-level would be required to participate actively in metropolitan development and support it with manpower and financial resources, the establishment of elected municipal government with metropolis-wide jurisdiction may not provide the suitable platform for desired level of coordination and ensure smooth functioning.

What seems immediately feasible in big metropolitan cities is administrative decentralisation whereby the city administration's headquarters would be required to shed some of its functions to the lower-tier administrative units which would be closer to the consumers and financiers of civic services. In fact, most of the million-plus cities in India have already introduced this kind of administrative decentralisation by organising lower units, variously called as zonal committees, borough committees, or ward committees. But the extent of delegation of functions varies from area to area, depending more on tradition and local judgment rather than on any rational argument of community power structure for efficient delivery of services. And in doing so, the lines of administrative accountability have sometimes been left vague and undefined. The Task Force has just touched the problem on which further research is called for. Decentralisation of urban management responsibility is likely to increase municipal management capability, but careful analysis should precede any concrete action in this respect.

Another type of decentralisation of urban management can be thought of: that is through the organisation of urban community development programmes. Such programmes seem to be successfully implemented by the Hyderabad Municipal Corporation. The basic idea is to devise an organisational design and functional mechanism with a view to motivating the actual consumers of civic services for contributing towards the financing and maintenance of these services. This is supposed to be an innovation in organisational technology in urban management. As Hyderabad's experience shows, urban community development programmes succeed in establishing

certain bases and essential linkages in the process of urban development, for example: (a) integration of physical improvement within the community development process, (b) systematic linkage of voluntary organisations with the underprivileged communities like slum dwellers, and (c) establishing relationships of trust and help between these underprivileged communities and the financial institutions working in the formal sector of the urban economy. This variety of decentralised urban management is worth experimenting because of the potentials of efficient management of community services through grass-roots participation and at relatively low-cost. The search for the possibilities of its replication in big urban centres appears to be a critical issue of urban management in the immediate future. But the Hyderabad experiment, as carried through the support of the state government and financial assistance of the UNICEF, still leaves scope for some modifications and improvements. Its top-down approach towards urban management (because the officials involved in such programmes discharge the necessary leadership) and its failure to develop any self-sustaining community organisation are to be taken note of in any serious scheme of decentralisation of metropolitan management. The Task Force has welcomed the idea but has not given any concrete suggestion about how the necessary improvements can be achieved. Perhaps doing so would have taken it to an area of policy announcement which it seems to have carefully avoided.

#### STATE-LEVEL MANAGEMENT TASKS

The state governments in India primarily perform a regulatory role *vis-a-vis* the urban local bodies, and their management responses have been mainly *ad hoc* in nature. The relevant department or directorate of the state government normally acts as a watch-dog or a policeman insofar as its primary concern seems to be either preventing municipal bodies from committing any administrative error or punishing them for any lapses made. Management of urban growth *per se* has never been the concern of the state government. The financial dependence of municipal bodies on the state government has robbed them of any opportunity to use local discretion and choice in urban development. At the level of state government, again, urban management has hardly received any concentrated attention. The responsibilities like town planning, public works, housing, or public health engineering are discharged by different government departments and coordination among them is found to be always unsatisfactory. Urban management, under India's constitutional-political system, depends for its success on satisfactory performance of some critical functions at the state level, for example, policy and planning, fiscal support, legislation, supervision, project identification, and technical assistance.

While broad goal-setting for urban development needs to be appropriately done at the national level because of the value-orientation of this task, it is at the state level that policy directions or planning of strategies are to be determined. In regard to urban management the state government has a vital role in such activities as, selecting the priority growth areas, identification of instruments of investments, and programming of capital investments for urban development. But urban management strategies based on interdisciplinary exercises are virtually absent in different states of India. Review of existing laws and enacting fresh legislations should be a continuous exercise entrusted to a definite policy-cell of urban management: but nothing like it can be seen in any state government. Giving proper fiscal support to municipal bodies and sectoral agencies is an important duty of state government, but it needs to be discharged on the basis of recommendations made by some independent municipal finance commission. Without adequate devolution of resources from the state to urban local bodies, it would be idle to expect any improvement in urban management. Furthermore, state government is the suitable agency having requisite expertise to assist municipal bodies in the task of project identification from the engineering and other technical points of view, and also to help them by deputing its own expert personnel for supplementing the manpower resources of municipal bodies.

As continuity is an important ingredient in policy-making and formulation of strategies, it seems essential that the state governments should devise suitable organisational design to carry out the state-level functions of urban management. The Task Force has considered two alternatives: first, to entrust urban management functions with one department, as has been done in the Department of Environment in Madhya Pradesh, discharging all functions related to town and country planning, local government and housing; or secondly, to designate one department as the nodal department for coordinating all the urban management functions of the concerned departments and agencies. Both the alternatives have their own advantages and disadvantages, and a decision has to be made after careful considerations.

It would be necessary to integrate urban development project and programmes with district-level planning which in India has become by tradition almost entirely rural. For this purpose the Task Force seems to have preferred to channelise urban development programmes through district administration in order to render technical assistance to urban management at the district level. Apparently the idea sounds good, but taking recourse to this kind of organisational technology may even sound the death knell of municipal government because of the inherent danger of the helping hand of district administration

turning into a firm grip over municipal bodies, and in the process it may make serious inroads into their autonomy. If it so happens, urban management would face a new type of problem.

#### PERSONNEL DEVELOPMENT

Personnel development has been the weakest aspect of urban management in India. There has been little change in this area of urban management, and municipal bodies have come to be known, either by default or by design, as weak, corrupt and inefficient management systems. Qualified staff is not attracted to municipal management and consequently management inefficiency of municipal bodies continues. To develop a sound personnel system is undoubtedly one of the critical issues of urban management.

There are three types of municipal personnel system, *viz.*, separate, unified, and integrated. The unified personnel system implies state-wide cadres and promises to remove the difficulties experienced in separate personnel system. The case for unified system rests on its claim that: (a) it would attract qualified and competent personnel, (b) it would create better promotional opportunities by removing frustration of the staff owing to stagnation in separate system, and (c) it would minimise nepotism in recruitment. A few states have introduced unified personnel system in municipal management, but there has been no detailed research for verifying the claims made in favour of it. So far as the output of municipal services is concerned, it has not yet been found to be very high in those states which have adopted the unified personnel system. The Task Force has suggested the formation of state-cadres for key positions in municipal management like chief officer, engineer, accounts officer, revenue officer and health officer. It appears to believe that this system, if adopted, would help improve the crucial management capability of municipal bodies and furthermore, would also meet the personnel needs of urban development authorities and functional agencies. As for the lower levels of management personnel are concerned separate system may be of greater advantage.

But the greatest need in personnel administration is training of middle-level staff engaged in urban management. There is, at present, some institutional arrangements for imparting training to the senior level officers, but an obvious gap exists in respect of the training needs of the technical or para-professional personnel engaged in urban management. Any technically-sound project would fail to deliver the goods if it is badly implemented and inefficiently maintained. Environment improvement programmes and management of public utilities always demand a minimum level of expertise and efficiency of the

personnel engaged, and every effort has to be made to provide adequate training to them. Even a comprehensive urban management course can be thought of at higher academic institutions. Proper assessment of training needs of the urban management personnel is, therefore, another critical issue which deserves immediate attention. The national and state government have some concrete roles to play in organising training for improving the quality of urban management in India. The universities, training institutes and institutes of management need to be associated with governmental efforts for this purpose.

#### SUMMING-UP

To sum up, management of urban development in India today is a real challenge to the planners and policy-makers. It has a few critical issues like the role of municipal bodies *vis-a-vis* the urban and metropolitan development authorities, introduction of strategic planning, organisation of metropolitan management, state-level management functions, and personnel development for urban management. These issues, along with the perennial problem of finances for urban development, constitute the critical areas of urban development and its proper management. Some of the issues cannot be squarely confronted without taking suitable policy-decision, but there are quite a few issues which may be tackled by changes in management techniques, operational methods and organisational design. The need for introducing these changes is urgent because complacency in respect of management would create complication in the field of urban development and the consequent frustration is likely to affect adversely not only urban development but the basis of the urban polity itself. Urban areas are growing fast and throwing unique problems; and these areas are politically and economically important because of their crucial contributions to the processes of political and economic development. The need for identifying the critical issues of urban management is thus self-evident. The Task Force has done a commendable job by drawing pointed attention to the critical issues in management of urban development. What the panel has tried to convey is that management of urban development should be the responsibility of the elected urban government which must be provided with adequate financial and manpower resources. Once this is accepted as a policy of urban management, the status of municipal government would improve and better kind of municipal leadership is likely to emerge to take charge of the management of urban development. It is only through this method of political rejuvenation of municipal government, and not through prolonged and unprincipled supersession of urban local bodies and creation of *ad hoc* development authorities, that the task of management of urban deve-



lopment can be better performed in a democratic country. A few months earlier a Study Group appointed by the union ministry of works and housing also concerned itself with a similar exercise relating to urban local bodies.<sup>2</sup> Its report failed to focus on the critical issues and went into some unnecessary details about city government. Moreover, its total view about urban government appeared somewhat clumsy and it did not always present consistent arguments in support of what it recommended.<sup>3</sup> The report of the Task Force definitely scores better in focussing on the critical issues in management of urban development. Certainly there are a few more points like introducing improved management techniques and data processing in urban management in respect of which the Task Force has not said much. But then these aspects would demand attention only after the critical issues are properly tackled. □

<sup>2</sup>Government of India (Ministry of Works and Housing), *Report of the Study Group on Constitution, Powers and Laws of Urban Local Bodies and Municipal Corporations*, New Delhi, 1983.

<sup>3</sup>Asok Mukhopadhyay, "Municipal Management Structure: A Recurrent Problem Revisited", *Nagari Lok*, Vol. XV, No. 1, January-March, 1983.

# *Housing the Urban Poor: The Policy Perspectives*

D.D. MALHOTRA

EVER SINCE the initiation of development through five year plans in 1951, the concern for housing the urban poor has grown slowly. In the meanwhile, the magnitude and complexity of the problem have expanded manifold, forcing a shift from earlier benevolent approach of a welfare state to construct conventional housing for the urban poor, to a more realistic search for a solution of their shelter needs. During last one decade, the Indian planners and policy-makers have been struggling hard to find out a viable strategy to alleviate the problem of housing the urban poor. In the process, a number of programmes and schemes have been launched. A comprehensive review of the various approaches and strategies to deal with the problem was necessary in order to identify their success or failure, and the causes thereof, so that coherent and implementable policies could be worked out.

The Planning Commission in January, 1983 set up four Task Forces on 'Housing and Urban Development'; one of these was on 'Shelter for Urban Poor and Slum Improvement' which submitted its report in September, 1983.<sup>1</sup> The Task Force comprised of three officials, two academics and one representing a voluntary organisation. All of them have been involved quite intimately with the problem of housing the urban poor. Its specific terms of reference were:

1. To examine critically the existing policies and programmes concerned with shelter for poor and to identify key problems encountered;
2. To review the existing local and other legal impediments which tend to hamper the poor from making their own housing investments.

<sup>1</sup>India (Planning Commission). Task Forces on Housing and Urban Development: IV, *Shelter for the Urban Poor and Slum Improvement*, New Delhi, September, 1983, (mimeographed), pp. 122.

3. To estimate the affordable demand for shelter that may be expected from the urban poor over the next 15 years.
4. To identify existing specific innovative programmes which have been found to be successful in different urban areas and to suggest ways and means for their adoption in other places.
5. To suggest policies and programmes for shelter for the urban poor which are financially feasible as well as institutionally viable. This may include specific consideration of the feasibility of providing housing finance in small amounts such that incremental development becomes easier for both existing and new units.
6. To suggest measures for universal slum improvement and to estimate the implied financial costs.

The terms of reference are quite comprehensive as well as sharp in focus. While the various inter-related aspects of shelter for the urban poor are expected to be examined, to isolate the problem from the complex poverty phenomenon. The problem of poverty shall have to be dealt with for any long term strategy for housing the poor—both urban or rural. The terms of reference, however, reflect an immediate concern for and recognition of the shelter problem of the urban poor. These parameters provide a basic framework for the emergence of essentially reactive policies to deal with specific problems of a target group at a particular slum location.

The Task Force boldly carries out a critical appraisal of the various programmes and schemes and puts the magnitude of the problem in its true perspective. Its report comprises of five main chapters, *viz.*, (1) Review of Existing Policies and Programmes affecting Shelter for Urban Poor, (2) Existing Situation of Slums: Magnitude of Problem, (3) Universal Slum Improvement by the Year 2000: Problems and Prospects, (4) Impediments to Housing Investment by the Poor, and (5) Existing Innovative Programmes in Shelter and Slum Improvement. In addition to giving a summary of findings and recommendations, there are three appendices—two of them on case studies of innovative programmes and housing investment by the poor, and the third provides an evaluation of sites and services projects. The report covers the basic policy issues, though the discussion is scattered. The extent of coverage and its internal coherence, data base, and quality of analysis vary from chapter to chapter, giving an impression that different papers have been brought together with the binding force of the terms of reference. Repetition of discussion and diffusion of certain issues are inevitable under this scheme of presentation.

## POLICIES IN RETROSPECT

While reviewing the existing policies, the Task Force looks back to trace their evolution out of the experiences of the last 30 years. During the '50s, the major policy thrust had been to provide houses to low and middle income groups or special categories of economically weaker sections (EWS). Social housing schemes, such as, integrated subsidised housing scheme (1952), low income group housing scheme (1954), and middle income group housing scheme (1959), were introduced in the control sector. All of these aimed at construction of formal housing. So far, Rs. 480 crores have been spent on these schemes. Ever since their transfer to the states in 1974, the Task Force observes that their achievements are not known as the state governments and their agencies are not furnishing the necessary information to the centre. The provision of formal housing under these schemes could hardly meet a fraction of the housing requirement and the Task Force rightly observes that it was not the best way to apply the limited resources available for housing especially for the shelter needs of the urban poor.

In 1950s, slums where the urban poor sought shelter were considered as undesirable and dirty spots on the urban scene, and thus they were sought to be cleared. The slum clearance scheme introduced in 1956 envisaged rehousing of slum families in new tenement constructed by the state slum clearance boards and housing boards. The impracticability of this approach was obvious in view of the formidable costs of rehabilitation, scarce resources, and also on account of the fact that slums were growing at a very rapid rate and their clearance involved substantial social and economic dislocation and hardship to their dwellers. By 1970, it was realised that slums should be accepted as providing a substantial component of urban housing stock and as the best way of providing shelter to the urban poor. The scheme for environmental improvement of slums was launched in the central sector in April 1972. Under the scheme, the living conditions in slum areas were to be improved by provision of such amenities as water supply, sewerage, storm water drains, community baths and latrines, widening and paving of lanes and street lights. Development of structure on the site was left to be carried out by the occupier. The policy objectives of the Fifth Plan (1978-83), while providing for social housing schemes to cater to EWS, emphasised the promotion and encouragement of self-help housing and government agencies were expected to provide the necessary infrastructure. The Sixth Plan further lays stress on this policy. It points out that during the last 30 years total direct investment through Plan funds of Rs. 1253 crores and a further investment of Rs. 1800 crores through institutional

financing agencies had been meagre in relation to the needs and it will continue to be so in the foreseeable future. Integrated Urban Development Programme (IUDP) launched in the Fifth Plan period was intended to induce state governments to adopt rational urban and housing policies and to give particular attention to EWS. An amount of Rs. 136 crores has been passed over to state governments under this scheme. The programme for Integrated Development of Small and Medium Size Towns (IDSMT) was introduced in 1979 under which central assistance was intended for land development, housing, and sites and services projects, while the infrastructure services were to be provided by the states.

The findings of the Task Force reveal what had been feared all along but was not recognised and admitted by the government. These findings may be summarised as follows:

- (i) The bulk of housing for all income groups particularly the poor is supplied by private initiative. Total production of houses through the budgetary support during last 30 years is miniscule of country's total effort and a fraction of requirement.
- (ii) Bulk of public investment has gone towards construction of formal housing by government, semi-government agencies and cooperatives.
- (iii) Even the cheapest house built by public agencies is beyond the means of EWS and LIG.
- (iv) Monitoring of public investment on housing is far from satisfactory. There is practically no information as to how state allocations have been spent and who benefited. The IUDP has never been evaluated. Due to insufficient evidence, it is difficult to identify specific impact of various schemes on housing and the extent to which the urban poor have benefited from them.
- (v) Despite a distinct shift in the state government policy under the Fifth and the Sixth Plan document from formal housing to providing of basic infrastructure of encouraging private initiative through sites and services and self-help programme, "the meagre housing budgets of state governments and the housing boards are being utilized mainly for formal housing for middle income and lower income groups."

#### THE MAGNITUDE OF THE PROBLEM

A substantial proportion of urban poor lives in slums. A portrait of the slums would clearly reveal the relationship between poverty,

shelter, and its environments. Slum settlements show the non-availability of formal housing for the poor in urban areas due to various reasons. Considering the potential of economic growth during next two decades and the growth pattern of urbanisation, the Task Force has concluded that the slum settlements will continue to grow in future and the assessment of shelter demand of urban poor can be made on the basis of projected slum population. Unfortunately, however, the Task Force has found that there are no firm estimates of the existing slum population in India. Estimating slum population suffers from two major difficulties: (a) the non-availability of reliable and comprehensive data, and (b) the conceptual difficulties of defining the slum areas. Referring to the weak data base of slum population, the Task Force observes that the state governments and local bodies have based their estimates for various schemes of slum clearance and improvement in the past on the assumption of the Planning Commission's Working Group on Slums (set up in 1972) that 20 per cent of urban population in the country constitutes slum population. Varying definitions of slum under the slum legislations enacted by the state governments, and various censuses and surveys pose serious problems in estimating the slum population. Moreover, the legal definition under the slum legislations, as the Task Force observes, is very broad. Structural and environmental conditions stipulated under these are too high considering the prevailing low income and level of living in India. Citing the case of Delhi, where the whole of the walled city having a relatively high quality of essential services has been declared as a slum, the Task Force feels that the liberal application of these laws can result in too wide a coverage of areas defined as slums. If old and crowded but authorised built-up areas of a city are included in slum along with unauthorised hutments of other form of temporary structures, the benefits of shelter related policies, programmes, and schemes will be difficult to reach the urban poor. To avoid exclusively reliance upon the data on slum population based on this definition, and to arrive at a more realistic estimate, the Task Force has chosen to use diverse data sources of the National Sample Survey Organisation of the National Building Organisation, the Town and Country Planning Organisation, and data available from different census and survey reports on slums mainly for the metropolitan cities. For estimating the slum population at the national, state, metropolitan city levels and at the level of the various cities and towns, the Task Force has distributed the entire urban population in a state into different size classes of cities and towns on the basis of 1981 census population in the following order:

- (a) cities/towns with population of below 100,000,

- (b) cities having population between 100,000 but below one million (all class I cities excluding the metropolitan cities), and
- (c) cities with population of one million and above.

After examining all the available sources of data in each state, the Task Force has prepared two sets of estimates—low and high. Estimates are worked out on the basis of an 'assumed percentage' for each size classes in the selected states and union territories in the country for which data are available from the 1981 census. A summary of findings is indicated below:

- (a) The slum population in India as of 1981 is 32 to 40 millions which is 20 to 26 per cent of the 162 million total urban population in the country. Most probably, it is nearer 25 per cent rather than 20 per cent.
- (b) There is concentration of slum population in 12 metropolitan cities where 33 to 38 per cent of their total population lives in slum and it accounts for 40 per cent of the total slum population of the country. Three quarter of total slum population of these 12 metropolitan cities resides in the 4 largest cities: Bombay, Calcutta, Delhi and Madras. Bombay has the largest slum population.
- (c) In the Class I cities (other than metropolitan) the slum population comprises of 18 to 25 per cent of their total population and this accounts for 29 to 31 per cent of the total slum population in the country.
- (d) In the cities below 1 lakh population, slum population varies between 15 to 20 per cent of their total population and about 29 per cent of total slum population lives in these cities.
- (e) The highest concentration of 30-35 per cent of the total urban population of a state is found in Maharashtra which accommodates 19 per cent of the total slum population in the country.

Assuming that the existing pattern of urbanisation will continue and hoping that better planning of urban development will limit the settlement of the poor in slums, the Task Force has projected that 20-25 per cent of the total urban population will continue to live in slums by the year 2000. It means that 62 to 78 million people out of an estimated 310 million urban dwellers will be in slums by the year 2000; 32 to 36 million of them will be in the metropolitan cities. Thus, major concentration of slum population will continue to be in the metropolitan cities which may increase in number from 12 to 20 or 21 by the end of this century.

After having estimated the slum population and identified its

pattern of distribution amongst states and various size classes of cities, the Task Force has examined the prevailing conditions in slums. It relies on the sample survey conducted by the National Sample Survey Organisation in 1976-77. The survey has covered only the 'City-Proper' which generally has better basic amenities than the outlying areas of the metropolitan cities. The major characteristics of slums as identified by the sample survey and noted by the Task Force are:

- (i) Generally there is over-crowding with a very high density of population in slum areas. In metropolitan cities, the density of population is far more than that for the city as a whole. Kanpur had the largest density of population: 484 persons per acre as against an overall density of 97 persons per acre for the 8 metropolitan cities covered in the survey.
- (ii) Almost 65 per cent of the total land areas under the slum in the million plus cities is under public ownership and 44 per cent of their slum population lives therein. In Class I cities (with 3 lakhs to 1 million population) 73 per cent of the total slum land is privately owned and it accommodates 60 per cent of their total slum dwellers.
- (iii) Poor quality of the housing stock in slum areas is reflected by the fact that a very large percentage of slum population lives in kaccha dwellings.
- (iv) A large proportion of slum dwellers lives in rented houses paying an average monthly rent varying between Rs. 15 and Rs. 18. This percentage is higher in the larger cities.
- (v) About 80 per cent of slums is located in residential areas, while the remaining 20 per cent is on industrial, commercial and other areas (of the cities).
- (vi) The sanitary and environmental conditions in slum areas are very poor. The slums are lacking certain minimum critical amenities. Metropolitan and big cities provide relatively greater access to housing and other amenities such as electricity, approach roads, drinking water, latrines, underground sewerage, etc., to their slum population than those living in other cities.

The Task Force concludes on the basis of this analysis that "there is a general dearth of urban infrastructure in slums. The conditions in slums are more deplorable in smaller cities/towns which is mainly an outcome of the discriminatory policies adopted for slum improvement in urban areas". It is surprising that the Task Force has jumped on to this conclusion while recognising that the sample survey does not include the outgrowth of big cities where slums are generally lacking



the minimum critical amenities. Such a finding without an adequate and reliable data-base is likely to cause a major distortion in policies, strategies and priorities in the deployment of limited resources available for alleviating the problem of shelter for poor. With the same level of amenities the dangers to public health cannot be of the same magnitude in a village, a town, a city and a metropolitan area. Earlier, it is observed by the Task Force that the metropolitan cities account for a major proportion of slum population in India with a very high density of population and this trend would continue till the end of this century. This observation along with the fact that the slums in metropolitan and larger cities are located on public lands and the majority of their dwellers do not own the houses they live in should suggest that it would be wrong to assume that the nature of problems faced by the slum dwellers, their critical needs and priorities and their impact on urban environment would be of the same type and magnitude irrespective of the fact whether they live in smaller or class I or metropolitan cities.

#### PROSPECTS FOR HOUSING THE URBAN POOR

Once it is recognised that the magnitude of the problem of housing the urban poor is very vast and it is beyond the means of government to construct the house to rehabilitate the slum dwellers, public policy shall have to be directed towards:

- (a) a more rational urban planning and development policy with a view to cater to the needs of poor and thus prevent the future growth of slums;
- (b) encouraging self-help housing by the poor while the public investment should be in providing the basic infrastructure; and
- (c) improving the environmental conditions in the existing slums by providing basic amenities and services.

The Task Force has been less candid in identifying the causes of slums which may be attributed to the physical planning as the basis for urban development. While reviewing the urban land policy, the Task Force recognises that "although intention of large scale land acquisition and development, was to combat private land developers' activities undesirable speculation and ensure planned development with special reference to the needs of the lower income groups, the freezing to large tract of land and slow development and marketing of land by public agencies had the opposite effect on the poor". The recent spurt in land prices in urban areas have priced out not only the poor but also the lower income groups from the urban land market. Mushroom growth of unauthorised settlements reflect how unsound

has been the planning in urban areas. The Task Force should have examined the serious implications of the land becoming a very valuable and scarce resource in urban areas for the future shelter policies concerning the poor. It makes no sense to appropriate this scarce resource by providing 500 sq. mts. or 1000 sq. mts. developed plots per household and then finding it difficult to release in sufficient numbers 25 sq. mts. plots for the urban poor.

Because of the rigid approach to housing, as the Task Force points out, the government sponsored housing construction agencies are incapable of providing affordable houses for the poor. The public agencies, such as urban and city development authorities, improvement trusts, housing boards and even the local bodies, find it lucrative to go in for development of land and construction of houses the marketing of which could help them to build their own resources and organisational image. City development authorities in UP, for instance, were given only land as their resources. There is no point in lamenting, as the Task Force does, that the "so-called planning and development authorities in many cities have quickly deteriorated into house builders, sacrificing partially or wholly their legitimate function as planners, regulators of development and promoters of critical infrastructure. These are the functions which would shift the focus of public agencies to areas of greatest needs like slums and squatter settlements". The basic policy issue that the Task Force should have raised and discussed in this context is that from where are these agencies going to find the financial resources for investment on schemes related to the shelter for urban poor. If a city development authority is called upon to finance such prestigious and show-piece projects as flyovers, stadia, swimming pools, etc., and recover their costs along with the subsidy on shelter projects for the poor from its sale of land and houses, even the middle-income groups will be priced out, and in turn, they will push the LIG and EWS out of the housing scheme meant for them.

Development controls have come under severe criticism during the last two decades, as it is felt that they force the urban poor to the realm of illegality in their housing activity. Zoning regulations, standards of services, minimum size of plot, floor-area ratios, maximum permissible densities, standards of building construction under building bye-laws impose such a heavy cost that the poor can hardly afford even a small-size plot. Task Force, while stressing the need for urgent reforms in development controls, observes that despite the National Building Code (IS-8888) which attempts to incorporate standards appropriate to the poor, many states and cities have not adopted it. Consequently, a good proportion of houses of the poor are illegal or unauthorised which constitute slums. If self-help housing is to be

encouraged, a substantial reorientation in development controls and building regulations would be necessary to remove the legal impediments in investment by the poor on their houses.

Apart from considering the broad macro approaches which could facilitate the provision of houses for the poor in future, the Task Force has devoted considerable attention towards how to deal with the existing problems of slums through specific schemes. A rational approach towards the sites and services schemes would no doubt relieve the pressures on the future growth of slums, but considering the constraint of available resources and other impediments, it could hardly provide a curative measure for the existing slum which, as the Task Force predicts, will continue to grow in future. In this context the main hope lies on the scheme for environmental improvement of slums (EIS). The EIS was launched in 1972 to provide certain basic amenities and services in the slum areas. It is financed by central government but implemented by the state governments and their agencies, and covers all urban areas irrespective of population size. The services to be provided in slum areas are:

- (a) drinking water supply through one tap for 150 persons,
- (b) sewers: open drains with normal outflow avoiding accumulation of stagnant waste water,
- (c) storm water drains,
- (d) community baths and latrines: one bathroom and one latrine for 20-50 persons, and
- (e) street lighting (one pole at 30 meters apart), widening and paving of existing lanes.

Per capita cost ceiling (PCCC) for the EIS is fixed at Rs. 150. Funds for acquisition of lands in slum areas required to carry out improvements therein are provided in the scheme. Rehabilitating the people dislocated as a consequence of acquisition of land to provide alternative sites for the slum dwellers is to be borne by the state governments. The EIS also lays down priorities in the selection of slum areas to be covered: Slums on public lands are to be covered first, those with water, electricity and sewer mains available at least on their periphery should be preferred in order to ensure better cost-effective utilisation. Improvement of slums on private land is subject to the condition that state government ensures through appropriate legislation that landlords are not entitled to higher rent or compensation in case of subsequent acquisition. The slums where houses are owned by the dwellers may be covered provided the economic conditions of the dwellers are such as to constitute them as the poorest class of the city and the land required for improvement belongs to the local

body or the government. The maintenance expenditure on the improvement work carried out under the scheme is required to be borne by the state and local governments.

The Sixth Five Year Plan has allocated Rs. 151.45 crores for the EIS to cover a target population of 10 million. The Plan document indicates that 6.8 million people have already been covered under EIS upto 1979-80. The Task Force observes that upto February, 1983, a total of about 11 million slum dwellers are reported to have been covered. The scheme now figures as one of the top priorities of the central government as it has been included in the Prime Minister's revised 20-Point Programme adopted in 1982. According to the Task Force estimates, 21 to 29 million existing slum dwellers, *i.e.*, 66 to 73 per cent of the total slum population have yet to be covered under the EIS. Out of these, 7 to 9 million people are yet to be covered in metropolitan cities. If the entire slum population of the country is to be covered under the scheme up to the year 2000, the Task Force recommends that each successive Five Year Plans should cover not only the incremental slum population, but also provide for 40 per cent each in the Seventh and Eighth Plans and 20 per cent in the Ninth Plan including the estimated backlog of 23-32 million slum population in 1985.

After examining the PCCC adopted under the various EIS projects the Task Force found that Rs. 150 under the EIS is very low and recommends that a per capita expenditure of Rs. 300-350 (at 1982 prices) will be a realistic estimate for slum improvement. At per capita cost of Rs. 300, it implies that Rs. 480-660 crores in the Seventh Plan for covering about 16-22 million people and Rs. 930 to 1230 crores for the period 1990-2000 shall have to be provided in order to attain universal slum improvement. Based on its estimate that 25 per cent of urban population lives in slums, the Task Force has recommended a provision of 750 crores under the Seventh Plan. The Task Force, however, emphasises the need to ascertain a more realistic cost of the EIS through more systematic assessment of cost implications of the various norms and standards prescribed. While reviewing the progress so far in the implementation of the EIS, the Task Force identifies various shortcomings. These may be summarised as follows:

- (i) no systematic evaluation of the scheme has been done to determine the extent to which it has achieved its basic goals;
- (ii) system of monitoring the progress either does not exist or is very defective. Ever since the inclusion of the scheme under 20-Point Programme, the monitoring has improved;
- (iii) the method of determining the physical achievement or the number of beneficiaries by dividing the amount spent out of

- allocated funds by Rs. 150 is wrong and misleading in determining the impact of coverage of the scheme;
- (iv) the scheme does not provide the flexibility both for giving priority in determination of amenities needed and for variations in expenditure because of varying location and nature of slums;
  - (v) the existing scale of amenities needs to be revised in order to reduce the norms;
  - (vi) the per capita ceiling cost (PCCC) of Rs. 150 is unrealistic;
  - (vii) the scheme does not provide security of tenure to the beneficiaries and, therefore, it does not encourage their self-help in improving their environmental conditions. Environmental improvement programmes is, therefore, regarded as a temporary solution;
  - (viii) most of the projects under the scheme are poor in their preparation in the absence of proper survey and socio-economic data concerning the slum dwellers to be covered;
  - (ix) there is no evidence of the involvement of the target group in the scheme which is mainly being implemented as a public works programme;
  - (x) there is lack of adequate administrative arrangement at the state/local level. Frequently, there are problems of coordination with the concerned agencies like water supply, electricity, etc.; and
  - (xi) even though it is the responsibility of local government to provide environmental services, they do not have financial participation in the scheme.

In its attempt to identify the factors behind 'successful' and innovative programmes in shelter and slum improvement, the Task Force has reviewed salient features of a few such projects, such as: (i) Hyderabad Community Development Project and its 'Habitat' Housing Programme, (ii) Vishakhapatnam Project, (iii) Bustee Improvement Programme of Calcutta, (iv) Arumbakkam Sites and Services Project of Madras, (v) Vasna Slum Rehabilitation Project of Ahmedabad, and (vi) Resettlement Colonies Project of Delhi. While the Task Force finds that "the projects differ vastly from each other in philosophy, size, focus, organisation approaches, impact and per capita cost", they represent "new ideas, approaches, attitudes and organisation styles" in dealing with the problem of shelter for urban poor and improving the living environment in slums. However, one gets the feeling that none of these projects as a total package can be replicable on large scale. The Task Force identifies certain critical factors which make these projects successful in one aspect or the other and recommends

that they may be closely integrated with the scheme of EIS to make it effective. These factors are: (i) careful and realistic preparation of projects and estimates based on intimate knowledge of the community, (ii) firm linkage of improvement programme with the security of tenure and home improvement loans, (iii) full involvement of people through urban community development projects, voluntary agencies and full time community organisers employed by agencies concerned, (iv) encouragement of low-cost technology and solutions to problems, (v) organising shelter upgrading activity through material banks and institutional credit for repairs, (vi) clear and specific responsibility of various agencies involved, and (vii) a certain amount of cost recovery.

### CONCLUSION

While the fundamental issues of security of tenure, cost recovery, people's participation, and organisational design for undertaking shelter-related and slum improvement projects have been referred to by the Task Force, their indepth analyses in relation to these aspects, are lacking. This may explain why the findings and recommendations on these issues in the main text have been moderated in the summary appearing at the beginning of the report. Without resolving these basic issues, the high priority given under the Prime Minister's revised 20-Point Programme and main hopes placed on the EIS in the successive Five Year Plans till the year 2000, would remain as a populist gimmick rather than a firm commitment for solving the problem of shelter and its environment for the urban poor. The Task Force has undoubtedly succeeded in highlighting the magnitude and urgency of the problem and it is hoped that its report will increase the sensitivity of the policy-makers, planners and the administrators towards the problems of urban poor. The report has thrown open a wide area for search and innovation for a much-needed thrust in dealing effectively with the problem of housing the urban poor. □

# *Dominance Pattern of Size-Classes of Cities and Its Implications\**

BAPPADITYA CHAKRAVARTY

IT IS often considered that in India, unnecessary emphasis is being put on channelising funds into the larger metropolises. The argument is that the large metropolises sustain themselves and their position in the larger political economy by siphoning off resources from the hinterland. Put in this way, the argument bears a close resemblance to the role of headlink cities in a colonial regime. Therefore, the mobilisation of funds towards development/renewal of the metropolises is often termed a continuance of the colonial mode of exploitation. Further colour is added to this argument when one observes that a larger proportion of urban development funds come from external agencies. Using the logic of association, it is then claimed that colonial exploitation is being furthered through the active participation of outside economic forces.

## FUNDING OF METROPOLITAN DEVELOPMENT

As a reaction to this view, both the central and state governments of India have now instituted a funding programme for the development of small and medium towns (with the help of IDA). It is a known fact that these funds have largely been used for development programmes in largely class II and class III cities. However, it should be noted that this funding programme (the IDSMT, as it is called) is not an alternative to the funding of metropolitan development programmes. Rather, these two programmes now operate simultaneously.

The basic assumption behind external funding for metropolitan development is that the cities are unable/incapable of raising funds for carrying out maintenance/developmental activities. Since it is true that external developmental funding reduces the need to stress upon

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the generation of internal resources, and the cost of funds generates its own shortage of financial resources, this procedure may be assumed to lead to a vicious cycle where the cities identified for developmental funding assistance are perpetually in the need of such funds. Since financial resources are scarce, this means that other classes of cities/towns will never have an adequate share of the resources. The policy alternatives in this case therefore are as follows:

1. To abort the vicious cycle in the identified cities (mainly metropolitan and class II and III cities) and divert funds to other classes of cities, at the risk of starting such vicious cycles in those cities, or
2. To strengthen efforts at internal generation of funds in all classes of cities and gradually reduce the dependence on external funding whenever it exists today, or
3. Follow policy<sup>1</sup> with simultaneous efforts at generation of funds from inside the city, and monitor the use of external funds accompanied by clear measures of cost-recovery.

The choice between these three alternatives is based upon a prior examination as to whether the present choice of metropolitan cities and some class II and class III cities has emerged from a 'sympathetic' or need-based evaluation of the circumstances facing them.

This prior examination can be adopted through a description of the relationships of dominance between the various classes of cities. Necessarily, the weaker or sub-dominant cities will need help. It will then remain to be seen what kind of help (attached to what kinds of conditions) is possible.

The present paper analyses the dominance relationships between different size-classes of cities through the procedure of the Electromethod. The data have been selected from the 1961 and 1971 censuses. The analyses have been carried out at an all-India level, and then separately for the states of Maharashtra, West Bengal and Gujarat. West Bengal and Maharashtra have been chosen because both these states have headlink cities established during the colonial era. Gujarat has been chosen because it shows a contrast—an industrially developed state which does not have any headlink city.

#### DATA BASE

As mentioned, the data have been taken from the 1961 and 1971 censuses. Obviously, the study may be extended through the use of 1981 census data when these become generally available. For the six



size-classes of cities and towns, seven attributes were taken (Table 1):

TABLE 1.0 LIST OF ATTRIBUTES

<i>Sl. No.</i>	<i>Attributes</i>
1.	Population (aggregate over size-classes)
2.	Number of Towns
3.	Workers engaged in household industry
4.	Workers engaged in non-household industries
5.	Workers engaged in construction
6.	Workers engaged in Trade & Commerce
7.	Workers engaged in transport, storage and communications

While it is admitted that a larger number of variables could have been chosen, the general literature on this subject suggests that the above seven attributes represent the factors having a major urbanising influence. Put in another way, this also means that these factors are important for a particular person to choose a city to live and work in. The present study being an exploratory one, we are interested in the picture that emerges from general considerations more than the influence of one particular factor on the general picture.

#### METHODOLOGY

The procedure of the Electro-method has been described in the Appendix to this paper. It is, however, necessary to note here the assumptions made for its application in the present context. The Electro-method assumes that the alternative sets of data (which are being compared) are reasonably independent. This is taken care of in the present study by looking at the data as aggregated manifestations of individual rational-economic decisions to live and work in a particular kind of city. Interdependence between attributes is allowed for in the Electro-method and hence no new assumptions needed to be made.

The Electro-method, in order to arrive at patterns of dominance, uses a system of weights. In the present case, the weights were assumed to be as follows:

<i>Attributes</i>	<i>Weight</i>
Population	0.190
No. of Towns	0.095
Workers in Household Industry	0.071
Workers in Non-household Industry	0.167
Workers in Construction	0.143
Workers in Trade and Commerce	0.167
Workers in Transport, Storage and Communications	0.167
	<u>1.000</u>

The weights were arrived at through a two-phase process: (1) Literature search and rating of the factors, and (2) Expert opinion. An initial scheme of weights worked out on the basis of various theoretical frameworks was presented to several experts in the field of urbanisation and urban development. According to the modifications made by the experts the weighing scheme was reevaluated. The final scheme was arrived at after several such iterations. It should be noted that the Electro-method makes provision for checking the 'robustness' of the solutions through a sensitivity analysis. This sensitivity analysis was carried out and it was found that variations of 30-40 per cent in the weights do not result in major changes in the dominance patterns. In the case of some criteria, (such as some of the occupational data) variations of upto 50 per cent are allowed, without changing the solutions to any noticeable degree.

## RESULTS

The Electro-method leads to solutions which can be represented in terms of digraphs (directed graphs) in which a one-way arrow indicates one-way dominance, and a two-way arrow indicates both-way dominance. The digraphs are derived from the *Aggregate Dominance Matrix*, where an entry means dominance and '0' means non-dominance.

The Aggregate Dominance Matrices for the All-India case (1961 and 1971) are given in Tables 2.1 and 2.2. The associated digraphs are shown as Fig. 2.1 and 2.2.

TABLE 2.1 AGGREGATE DOMINANCE MATRIX (ALL-INDIA, 1961)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	1	—	1	1	1
IV	0	1	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.2 AGGREGATE DOMINANCE MATRIX (ALL-INDIA, 1971)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	1	—	1	1	1
IV	0	0	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

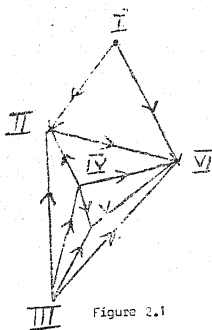


Figure 2.1

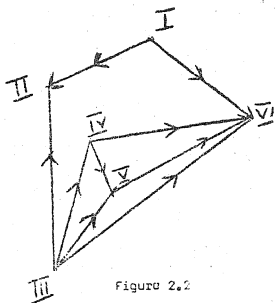


Figure 2.2

By looking at Figs. 2.1 and 2.2 we may derive the following conclusions :

1. The pattern of dominance between the various size-classes of cities has two clear nodes in both 1961 and 1971, classes I and III. These two classes dominate other classes, but are not dominated by any other class.
2. Class VI towns (representing only a small jump from absolutely rural areas) are dominated by every other class of city.
3. In 1961, next to class VI, class II cities were the most dominated (by three other classes).
4. In terms of dominance over other classes, class III dominates more than class I, both in 1961 and 1971.
5. In terms of the general pattern of dominance, the difference between the 1961 and 1971 pictures is that both class II and class IV towns have lost some dominance (class II no longer dominates over class VI and class IV no longer dominates over class II).
6. The position of class V towns has remained unchanged in the overall dominance pattern between 1961 and 1971.

As has been remarked before, the exercise was carried out also for the three states of W. Bengal, Maharashtra and Gujarat. The aggregate dominance matrices are presented in Tables 2.3 through 2.8. The associated digraphs are shown in Figs. 2.3 through 2.8.

TABLE 2.3 AGGREGATE DOMINANCE MATRIX (W. BENGAL, 1961)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	1	—	1	1	1
IV	0	0	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.4 AGGREGATE DOMINANCE MATRIX (W. BENGAL, 1971)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	1	0	0	1
III	0	0	—	1	1	1
IV	0	0	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.5 AGGREGATE DOMINANCE MATRIX (MAHARASHTRA, 1961)

	I	II	III	IV	V	VI
I	—	1	1	0	0	1
II	0	—	0	0	0	1
III	0	1	—	0	0	1
IV	0	1	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.6 AGGREGATE DOMINANCE MATRIX (MAHARASHTRA, 1971)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	0	—	1	0	1
IV	0	0	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.7 AGGREGATE DOMINANCE MATRIX (GUJARAT, 1961)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	1	—	1	1	1
IV	0	1	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

TABLE 2.8 AGGREGATE DOMINANCE MATRIX (GUJARAT, 1971)

	I	II	III	IV	V	VI
I	—	1	0	0	0	1
II	0	—	0	0	0	1
III	0	1	—	1	1	1
IV	0	0	0	—	1	1
V	0	0	0	0	—	1
VI	0	0	0	0	0	—

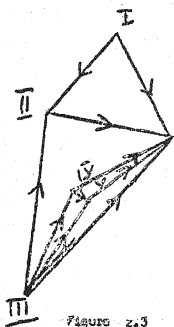
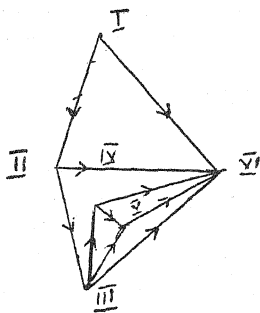


Figure 2.3

(1961)

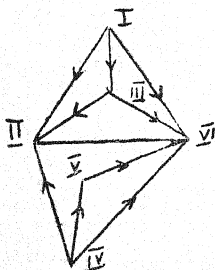
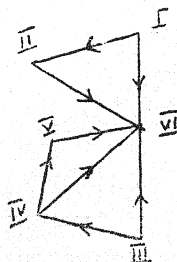


(Figures 2.4

(1971)

From Figs. 2.3 and 2.4, the following observations can be made:

1. The situation of West Bengal in 1961 was almost exactly the situation that prevailed all over India in 1971.
2. The major change between 1961 and 1971 was the reversal of the dominance relationship between class II and class III towns. Whereas in 1961 class III towns dominated over class II, in 1971 the situation was reversed.
3. In 1971, class II towns had also increased their overall dominance, they were additionally dominant over class III towns.

Figure 2.5  
(1961)Figure 2.6  
(1971)

For Maharashtra (Figs. 2.5 and 2.6) we note the following:

1. The role played by class III towns in the case of West Bengal

- (in 1961) was played by class IV towns in Maharashtra in 1961.
- The pattern of dominance of class I towns in Maharashtra in 1961 was much stronger than either in the all-India case or the case of West Bengal.
  - As in the case of class II and class III towns of West Bengal between 1961 and 1971, a reversal of relationships seems to have taken place between the class IV and class III towns of Maharashtra during the same decade. The overall pattern in 1971 is not very different from the all-India pattern in 1971.

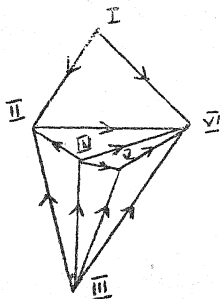


Figure 2.7  
(1961)

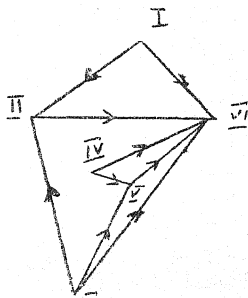


Figure 2.8  
(1971)

In the case of Gujarat, we may observe the following :

- In 1961, the dominance relationships were clearly in favour of the class, I, III and IV towns.
- In 1971, the dominance pattern remained pronounced in favour of these towns. However, in 1971, both class IV and class III towns had lost some of their dominances. Class III was no longer dominant over class IV, and class IV was no longer dominant over class II.
- The overall pattern both in 1961 and 1971, bore clear resemblances to the All-India patterns.

The digraphs show the patterns of dominance of the different size-classes of cities. One may also compute the order of dominance by taking the actual values of the concordance and discordance indices. The procedure is to compute net concordance and discordance dominance indices, i.e., the net value of how much one size class dominates others minus how much it is dominated by the others. These net values

may then be combined together to arrive at an aggregate dominance index. It is possible then to rank these to show the 'strength' of dominance of each size-class. The results of this exercise for the data under consideration are shown in Table 2.9 below.

TABLE 2.9 SIZE-CLASSES RANKED ACCORDING TO AGGREGATE DOMINANCE INDICES

Rank	Maharashtra		W. Bengal		Gujarat		All India	
	1961	1971	1961	1971	1961	1971	1961	1971
1.	I	I	I	I	I	I	I	I
2.	IV	IV	III	II	III	IV	III	III
3.	III	III	IV	III	IV	IV	IV	IV
4.	II	II	V	IV	II	II	II	II
5.	V	V	IV	V	V	V	V	V
6.	VI	VI	VI	VI	VI	VI	VI	VI

It is seen that the overall strength of domination (All-India) had remained unchanged over the decade. Classes V and VI are generally the weakest classes both in all India, and also in the three states (with the single exception of the case of West Bengal in 1961). Classes I and III are generally the strongest, followed closely by class IV and then class II towns.

#### IMPLICATIONS AND CONCLUSION

In a colonial economy, it is expected that cities and towns directly interact with the hinterland. This enables the larger cities and towns to : (a) have a direct control over resources, and (b) avoid sharing the profits with intermediate cities and towns. This is in fact, the model of primate cities and towns. In classical urbanisation theory, one expects a pyramidal structure of cities and towns, with larger ones near the apex. In this model the process of siphoning off of resources takes place from the downwards. Further, in this model, the integration of local, regional and metropolitan economies is upheld through the hierarchical interlinking of cities and towns representing the access to, and participation in, local, regional and national markets.

The results of our analysis clearly show that in India, both of the above models seem to be in operation. The class I, class II, class VI linkage has a close resemblance to the colonial model of urbanisation. The class III, class IV, class V, class VI, linkage is reminiscent of the classical urbanisation model. It should be noted, however, that each class of town, in establishing dominance relationship directly with the class VI towns, is really replicating the colonial pattern.

The following kinds of issues may therefore be raised:

1. Strengthening either mode (class I and class III cities and towns) of a given pattern through infusion of funds will serve to reaffirm the two models (which are really basically only one—the colonial model) that are now operating.
2. Such strengthening can therefore result only in further domination of the lower order towns (class V and class VI) leaving progressively weaker ones to support urbanisation. This is clearly seen when one considers the actual values of the aggregate dominance indices, shown in Table 2.10. It is seen that while for all-India, the net dominance of class I towns and class III towns has increased over the decade, that for class IV, class V and class VI towns has *reduced*. Class II towns have only marginally improved their position. As far as the states are concerned, the patterns are somewhat varying, but the position of class I towns has generally improved. West Bengal, of course, is an exception. It is perhaps possible to relate the pattern of West Bengal to its varying economic fortunes. It is, however, an exercise that we will not attempt here. However, in the case of West Bengal also the class VI and class V towns have fared badly. Class III towns have reduced their dominance in all these three states.
3. It follows clearly then, that the contribution to the all-India pattern must arise more from contributions of states other than the three considered. Since these three were also the earliest industrialised states, it is perhaps possible to hypothesise that the conflict between the colonial and classical urbanisation model is slowly being resolved in favour of the former in these three states. As a state that was perhaps the first one to industrialise, West Bengal today shows the trend in a much sharper fashion.

TABLE 2.10 AGGREGATE DOMINANCE INDICES

Class	Maharashtra		W. Bengal		Gujarat		All India	
	1961	1971	1961	1971	1961	1971	1961	1971
I	6.323	6.74	5.797	5.191	5.946	6.358	5.879	6.126
II	-3.595	0.591	2.617	2.97	-2.809	0.971	-2.603	-2.021
III	2.158	1.712	5.295	1.976	4.386	1.873	4.016	6.087
IV	3.755	2.013	0.191	0.351	1.98	2.761	3.156	1.09
V	-4.496	-4.103	2.102	-2.787	-3.245	-2.089	-1.327	-2.39
VI	-8.277	-8.607	-9.763	-9.606	-8.600	-8.932	-8.411	-8.725



It follows from the above considerations then, that sustaining the undominated classes (class I/class III) is unlikely to prove a viable alternative to the colonial urbanisation model which leads progressively to an impoverished hinterland. In terms of the dominance patterns, class II towns here are clearly serving as an intermediary between class I/class III and class VI/class V towns, and therefore part of this overall process.

Such a pattern can only lead to unchecked pressures on the urban areas. Therefore, if our purpose is to obtain regulated urban growth, and if we believe that social investment of funds is one way of achieving that goal, then our choices for areas of investment clearly ought to be different from what they are now. Whether the new choices should be accompanied by 'hard' options, *i.e.*, getting the larger urban areas to find for themselves (and giving them the freedom to do so) rather than passing on urban indebtedness to the rural areas, is for the policy-makers to decide. What is clear is that there is a need to rethink on the patterns of financing of urban development in the various classes of cities and to adopt policy measures to raise alternatives to the existing patterns of size-class domination. □

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## Appendix

## THE ELECTRO METHOD

The electro method was first designed and used in France for various kinds of applied research (for instance, marketing research). The method basically identifies dominance relationships between alternative sets of values of certain identified attributes. These attributes are weighted according to a weighting scheme related to the purpose behind the attempt to identify dominance patterns.

Consider a set of attributes  $j(j=1.....J)$  and sets of values  $i(i=1.....I)$ . The method depends on identification of concordance (C) and Discordance (D) sets as follows:

$$C_{ii'} = \{ j / P_{ji} \geq P_{ji'} \}$$

$$\text{and } D_{ii'} = \{ j / P_{ji} < P_{ji'} \}$$

Where  $P_{ji}$  is the  $j$ i the value of the  $J \times I$  matrix containing all the values. The symbols  $\geq$  and  $<$  represent a weak dominant relationship (preferred to) and subdominant relationship (not preferred to).

From the concordance and discordance sets concordance and discordance indices are calculated as follows :

$$C_{ii'} = \frac{\sum_{j \in C_{ii'}} W_j}{\sum_{j=1}^J W_j}$$

$$\text{and } d_{ii'} = \max_{j \in D_{ii'}} \left( \frac{|P_{ji} - P_{ji'}|}{d_j^{\max}} \right)$$

where  $W_j$  is the weight given to the criterion  $j$ ;  $d_j^{\max}$  is the range of the values on criterion  $j$ .

The values  $C_{ii'}$  and  $d_{ii'}$  are included in two matrices called the concordance matrix and the discordance matrix, respectively. From each of these matrices an overall average  $\bar{C}$  and  $\bar{d}$  are calculated. Elements  $a_{ii'}$  and  $b_{ii'}$  are calculated of matrices A and B such that

$$a_{ii'} = 1 \text{ if } C_{ii'} \geq \bar{C}$$

$$= 0 \text{ otherwise}$$

$$\text{and } b_{ii'} = 1 \text{ if } d_{ii'} < \bar{d}$$

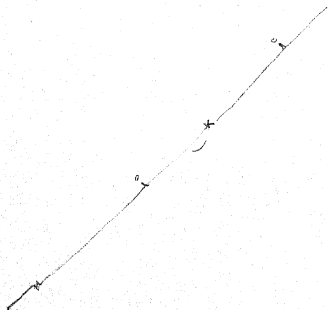
$$= 0 \text{ otherwise}$$

From these, an aggregate dominance matrix  $E$  is constructed such that a typical element

$$e_{i,i'} = 1 \text{ if } a_{i,i'} = 1 \text{ and } b_{i,i'} = 1$$

$$= 0 \text{ otherwise}$$

If  $e_{i,i'} = 1$  then the  $i$  th set of values is preferred to the  $i'$  th set of values. However, one should bear in mind that  $e_{i,i'} = 1$  implies only a relative dominance of the  $i$  th set of values over the  $i'$  th set of values serial  $i$  could conceivably be dominated by some other plan  $i''$ .



# *The Legal Framework for Planning and Development Control: Alternative Methods for the Madras Metropolitan Area*

J.P.W.B. MCAUSLAN\*

DURING THE last five years a major programme of innovative planning and development control proposals has been on foot in the Madras Metropolitan area, sponsored and guided by the Madras Metropolitan Development Authority. These have embraced the making of a structure plan for the MMA entitled "Guidelines for Growth"—a joint operation between the MMDA and Alan Turner Associates, a British firm of planning consultants—and a thorough survey and report on the whole field of the management of urban growth, including the vexed question of the extent and effectiveness of the present system of development control, by the same consultants. This latter report has in turn, and perhaps inevitably, raised the question of whether the existing legal framework for planning and development control within the MMA is the most appropriate one for a new era when a more policy oriented approach to landuse planning is being introduced, (for the MMDA has accepted the policies and approach outlined in Guidelines for Growth) and a more integrated holistic approach to development control reflected in the title of the new study—the Management of Urban Growth in the Madras Metropolitan Area—is being recommended to the MMDA. This article considers this question—first summarising briefly the existing legal framework and its defects and then discussing possible alternative models for the legal regulation of urban growth in Madras.

It should be made clear at the outset that attention will be focused on town and country planning legislation. As in all other

\*Nothing in this article must be taken as representing the views either of Alan Turner Associates with whom I worked on a study of development control procedures in the MMA or of the Madras Metropolitan Development Authority for whom the study was done. I have written this strictly in my capacity as an academic participant/observer of planning systems.

states in India, the state of Tamil Nadu has a great array of legislation and public authorities dealing with different aspects of land development, in particular housing and slum clearance,<sup>1</sup> which cannot be, and in the consultants' report, were not ignored, but within the confines of one relatively short article it is considered better to concentrate on the major and central piece of legislation dealing with land management and urban growth.

The present town and country planning legislation applying to the MMA is the Tamil Nadu Town and Country Planning Act 1971 as amended in 1974 to provide for the creation and powers of the Madras Metropolitan Development Authority, the principal planning authority in the MMA.<sup>2</sup> The Act provides for the making of master and detailed development plans, and under the act, so as to provide for the enforcement of those detailed development plans in the MMA, Development Control Rules for the MMA have been promulgated, providing for a detailed zoning system with equally detailed rules as to the type and style of permitted development within each zone. A good deal of the implementation of these rules is left with the local authorities within the MMA with about 20 per cent of all applications each year being referred to the MMDA for its decision. As is the case in many other large cities, a great deal of unauthorised development takes place within the MMA, especially within the city of Madras itself; not just the continued development of squatter settlements and the informal economy, but significant developments and changes of uses within the formal economy and construction sector. This type of unauthorised development is by landowners and developers who either do not bother to obtain planning and building permission, or ignore a refusal of permission and subsequent attempts to enforce a refusal—a favoured method being the obtaining of an interim order from the high court to suspend temporarily an order for the demolition of an unauthorised structure—or obtain permission but then proceed to develop otherwise than in accordance with that permission. Furthermore, the various public land development agencies operating within the MMA do not pay very much, if any, attention to the master and detailed development plans made by the MMDA and its predecessors, an approach which is made easier by the act's failure to ensure that priority is given to the plans in the provisions or the resolution of conflicts between such plans and the development proposals of

<sup>1</sup>e.g., the Tamil Nadu Slum Clearance Board established by the Tamil Nadu Slum Areas (Clearance and Improvement) Act 1971, and the Tamil Nadu State Housing Board established by an Act of the same name in 1961.

<sup>2</sup>See the discussion of this Act set in its historical and policy context in B. Rajagopal, "Planning Legislation and Administration", *Nagarloka*, Vol. XIII, No. 1, 1981, pp. 11-17.

public agencies. The overall picture is, to put it as graphically as possible, on the one hand, an enormous legal edifice of control—the act and the rules between them are over 200 pages long—operated by officials many of whom are neither trained nor experienced in planning control, and on the other hand, a large fast growing metropolitan area, with all the manifold problems associated with such a phenomenon, in which the town planning legislation and its administration is at worst completely ignored and at best, seen as a minor irritant to be got round by legal or if need be, illegal means. The divorce between the law in the books and the law on the ground could not be more glaring.

What, in brief, are the main causes of this disjunction between law and practice. It is suggested that they are as follows. First, there is clearly a widespread reluctance, to put it no higher, to accept the need for any sort of public management and control of urban growth. If such a need is accepted in the abstract, it is not accepted in practical or personal terms; individuals believe that controls should take place on land and in respect of developments other than their own. The planning authorities have failed to convince the populace of the need for control and management. Secondly the failure of the authorities is a compound of two factors; over rigid and detailed planning and development control and lack of adequate provision for public discussion and debate on plans and policies. Rigid master and detailed development plans as called for by the act, are; out of date long before they are completed; fail to accommodate to a constantly changing urban scene; are too intent on codifying what is existing, rather than endeavouring to formulate policies and programmes to guide the future, insofar as that is possible; and are so complex that they are extremely difficult to understand and follow, particularly by untrained local authority officials.

Similar criticism can be made of the Development Control Rules. Their sheer bulk makes them largely incomprehensible and so acts as a deterrent to compliance with the law. Changes in zoning need the approval of the state government; this takes time and once again acts as a disincentive to comply with the laws. Furthermore the rules do not reflect the latest thinking on zoning and permitted development<sup>3</sup> which is to reduce the number of zones; broaden out the permitted uses within each zone, and reduce controls as far as possible to what is, and is likely to be seen as, absolutely crucial and fundamental to the welfare, safety and health of the community, and the preservation of the environment.

<sup>3</sup>See Shri C.S. Chandrasekhara, 'Development Control: Built-up Areas and Mixed Land Use Zoning' in D.D. Malhotra (ed.), *Control of urban Building Activity*, Centre for Urban Studies, IIPA, 1980, pp. 52-64.

Turning to provisions for public debate and discussion on plans, the act does require that an opportunity be given for comments to be made on a proposed plan and for those comments to be considered before the plan is finally approved. The relevant sections, however, are so open-ended that the style, content and amount of public discussion and consideration of comments is left entirely to the MMDA to determine and hitherto there has been little encouragement to debate. Public acceptance of the need for planning cannot be taken for granted; it has to be worked for over a long period of time *via* a dialogue with the public. The law alone cannot bring this about but it can be a powerful tool in helping to create the right environment for dialogue and debate on plans and in this respect the act is sadly deficient. It is even more so in respect of the control of development for there are no provisions which encourage, let alone require, any public advertisement, discussion or consideration of the views of interested parties on any planning application, so that from the point of view of the ordinary members of the public from whatever income group they are drawn, it matters not whether developments are legal or illegal; they have no say either way. This too is a disincentive to support the law.

Thirdly, brief mention may be made of the role of the courts. I do not share the views of those who argue that the courts are 'against' the planners and planning. The courts no doubt share the general scepticism about this, what to them appears to be, rather secretive process which only seems to surface to public viewing when it attempts to stop something happening—it would be odd if they did not reflect and to some extent, whether wittingly or otherwise, help propagate such scepticism—but without going into great detail, my reading of recent cases on enforcement of planning and building controls is that the courts' responses to attempts to control development depends on how those attempts are conducted. Two cases are instructive here, both taken from the area of building controls. The first case is *Ram Avatar v. Calcutta Corporation*<sup>4</sup>, the Calcutta High Court decision in the unauthorised 14 storey building case recently confirmed by the Supreme Court. In that case it was clear that the Corporation had served all the relevant notices correctly; had made repeated attempts, supported by the police, to stop the unauthorised building and arrest the people engaged in the construction work; that all the tenants who moved into the building (the whole of which was an unauthorised structure) did so after a demolition order had been served and knowing fully well that the whole building had been erected in flagrant violation of the law. The courts in other words, supported

<sup>4</sup>AIR 1982, Cal., 315.

the correct, vigorous and repeated efforts of the administration to uphold the law.

Contrast with this *Gupta v. Special Officer, Madras Municipal Corporation*<sup>5</sup>. In this case officers of the Madras Corporation had, as found by the High Court of Madras, managed to delay granting a building permission for seven years and in doing so were motivated by bias and personal animosity towards the petitioner because they disapproved of the granting to him by the Special Officer of a lease of the land on which he wished to build. Again the court found that the officers of the Corporation were acting under powers of the Madras City Municipal Corporation Act which set out specific grounds on which a building permit could be refused yet were purporting to deny a permit on town planning grounds contained in the Town and Country Planning Act. This was something they could not do. The decision of the Corporation was quashed.

The decisions of the courts then are not necessarily obstructive. Even in the area of compensation for compulsory acquisition which has given rise to much constitutional anguish over the years<sup>6</sup>, the courts are not noticeably and obviously out of step with the Constitution as amended from time to time as opposed to politicians' and administrators' wishes. Nor have they set about emasculating the Urban Land (Ceiling and Regulation) Act, passed in and for the states during the Emergency, an act designed to limit speculation and hoarding in urban land "with a view to bringing about an equitable distribution of land in urban agglomerations to subserve the common good" (preamble) although the marked lack of enthusiasm with which the Act is being implemented in some states may account for this; relatively few cases on the act have been reported so far.

It is not the decisions but the use of the courts, which raises more issues from our perspective. Given the inordinate delay in the legal system, a challenge to an administrative decision can delay action for up to three years, sometimes longer. Several challenges on different aspects of a housing agency's operation may effectively bring the total operation of the agency to a halt. Equally, a request, usually granted, for a temporary stay of execution of, e.g., an order to desist erecting a building alleged to be in contravention of the planning or building regulations allows a developer to continue to erect the building; it is much more difficult to justify pulling down a completed building than preventing the erection of it in the first place though as *Ram Awatar's Case* shows the courts are not rigid on the matter.

Given all these deficiencies of the present system, it must seriously be asked whether there is not too ambitious a legal framework for

<sup>5</sup>1980 (2) M.L.J. 39.

<sup>6</sup>H. Merillat, *Land and the Constitution in India*, 1970.



development control and whether a reorganised system with less control being devoted to relatively minor and unimportant matters and more effort being put into controlling and preventing that which is of crucial importance, might not serve both MMDA and MMA better than the present system. Insofar as any new system would reduce the amount of development control, partly in response to the amount of unauthorised development, a counter argument to this must be faced up to. This is the argument by analogy with the law of robbery; one does not alter the law of robbery to the advantage of the robbers because one has difficulty in preventing robbery. The analogy is not a true one: robbery is generally and instinctively known by virtually everyone to be wrong; social practices and beliefs are harnessed by the law to control robbery. As has been pointed out, the same thing cannot be said for unauthorised development and its control; indeed in some respects, amongst the EWS, unauthorised development is a precondition to official acceptance and assistance. The analogy with the law of robbery is useful in one respect however; it suggests that control of development might have more chance of public and official support if it concentrated on matters clearly seen by everyone to be necessary of control.

Such an approach would in fact be more in keeping with the approach to planning adopted by the structure plan, which focusses on strategic policies and recommends making the best use of existing resources which maximise their cost-effectiveness. It does not propose policies which would necessitate the detailed control of all land use but rather policies which direct attention to key land use issues. Development control should follow this approach rather than as at present be at cross-purposes to it.

Two possible new approaches to develop control may be suggested, the first of which moves right away from the traditional zoning approach hitherto followed in the MMA, the second of which is based on the proposals of Chandrasekhara cited earlier. The first approach involves moving from a zoning system to a type-of-development based system. Rather than the whole of MMA being divided up into different use zones with uses therein graded as normal, MMA would be seen as one planning entity with two different types or 'islands' of special control located at different places within the one entity. Outside the islands, there would be very little development control, the presumption would be that any proposed development was permissible and could only be prevented on certain clearly stated grounds.

The 'islands' would be of two kinds—developments of special significance and areas of special importance. In the first case, applications to develop would be made to and decided by MMDA. The types of development to be covered would be set out in the rules together

with a provision that the minister could add other developments to the list. The criteria to be taken into account in assessing and deciding on the applications would be set out in the rules.

Areas of special importance could either be protected by special legislation, e.g., a Wetlands Protection Act to protect aquifers, tanks, etc., or by a special area plan or both, and within a special area, any proposal for development, other than relatively minor extensions to buildings or changes of use, would again need permission from MMDA. Areas of special importance could include both areas subject to a great deal of development pressures and undeveloped areas that needed to be kept entirely or largely free of development.

The second possibility is to reduce the number of zones at present provided for in the Development Control Rules from ten to five and reverse the presumption of much of what could be developed in the zones. In the words of Chandrasekhara :

With flexibility as the aim the proposed Model Land Use Zoning Regulations ... indicate only 5 zones, *i.e.*, predominantly residential, predominantly commercial, predominantly industrial, open space and parks, and predominantly agricultural. Also, instead of specifying: (i) use permitted; (ii) use permitted after appeal, and (iii) uses prohibited, what is now attempted is to specify only (i) uses prohibited and (ii) uses to be allowed after appeal in the 5 zones. Thus uses not specified are considered to be compatible with each other ... The proposal...attempts to eliminate the strait-jacket approach as in segregated land-use planning procedures and practices largely prevailing hitherto.<sup>7</sup>

These proposals concentrate on a looser more flexible form of zoning and as such are a major step forward. They could in fact be combined with elements of the proposal for areas of special protection and control, in such a way as to ensure that major decisions on development control were taken by MMDA while leaving less important decisions to the local authorities within MMA assisted if need be by planners from MMDA. In this way three important elements of a more effective planning system are brought together: first, greater flexibility and responsiveness to change; second maximum local decision-making and involvement with the system; third, the efforts of the premier planning authority would be concentrated on matters of major metropolitan-wide significance.

The issue of public discussion of plans and development proposals may now be considered and along with that, the method of dealing

<sup>7</sup>Chandrasekhara, *op. cit.*, pp. 58-9.

with appeals from refusals of planning permission and other land use decisions, i.e., compensation for compulsory purchase may also be discussed. Here too an alternative to the present system may be suggested. This would be to replace the existing and rather complex appellate systems provided for in the act including the possibility of public hearings on plans with a planning tribunal, sitting if necessary in divisions, to which all decisions on planning matters could be appealed. The Tribunal would be staffed by full-time and part-time lawyers, planners and valuers, presided over by a lawyer of the calibre and status of a High Court judge and would be required specifically to take account of plans, planning policies and other relevant matters when hearing appeals. In addition to the parties to the appeal having a chance to put their case forward, provision could also be made for the Director of Town and Country Planning to be allowed, as *amicus curiae* to address the tribunal and even, if it were thought appropriate, objectors to the proposal or decision being appalled. When considering objections to and representation about development plans, the Tribunal would allow all those making objections and representations to be heard, and would make a reasoned set of recommendations to the minister or other relevant authority having the final decision on a plan; in all other cases the tribunal would give a decision.

This kind of forum of which examples are to be found in Australia, Canada, Zimbabwe and within the UK, in Northern Ireland, can be and is, used to build up a jurisprudence of planning policy on a case by case basis. It provides an answer to the problems already identified of reconciling: (a) the need for some flexibility in the system of development control, (b) a reluctance to admit too much administrative discretion into the system, and (c) the desirability of more open and public debate about, and acceptance of development control. In a society which pays great regard to the judicial process and in which judicial decisions play a major role in the planning process, a prestigious Planning Tribunal developing planning policies on a case by case basis would seem an ideal institution to create, through which understanding of and respect for the system of planning could be built up.

A more flexible system of zoning, a relaxed approach to development control, a Planning Tribunal as the principal forum for public discussion and decision-making on plans, planning applications and appeals would together with the Structure Plan represent a significant change of style and approach to planning and development control in the Madras Metropolitan Area. They would also require fundamental changes to the Town and Country Planning Act which was enacted barely a decade ago, and to the powers and duties of the MMDA also barely 10 years old. But this should not be a cause for concern.

Laws, least of all planning laws, are not to be regarded as immutable<sup>8</sup> and when the case for change has been made out, nothing is to be gained by putting off the legislative implementation of change. At the same time, legislation is the beginning not the end of change, it provides the opportunity to implement a new approach which can only be seized if those concerned are convinced of the need for, and committed to the changes. The signs in Madras are good in this respect and one can look forward with confidence to the future evolution of planning and development control in the Madras Metropolitan Area. □

<sup>8</sup>The English system of structure and local plans was introduced in 1968; significantly altered in 1972, twice 1978 and 1980. Likewise the system of development control has been altered in important respects during the same period in 1972, 1974, 1977, 1980 and 1981.

## *Evaluation of Low-Income Urban Shelter Programmes: Findings from the First World Bank Project in Lusaka, Zambia\**

MICHAEL BAMBERGER

**B**ETWEEN 1972, when the first urban shelter loan was approved, and 1981 the World Bank has made loans to a total value of \$ 1380.5 million to assist in the development of 49 urban shelter projects in Asia, Africa and Latin America. It is estimated that 1,889,663 families have benefited directly from these project (World Bank 1983). The primary objective of the first projects was to improve the physical environment, either through the provision of new serviced plots or by upgrading existing settlements through the provision of basic infrastructure and related services. Later projects have also included components to strengthen financial and implementing agencies to generate income and to provide complementary services such as health and transport.

This article presents the principal findings from the evaluation of one of the first urban shelter projects—the Lusaka Upgrading and Sites and Services Project. Through the loan agreement, signed in December 1974, the World Bank provided \$20 million towards a \$ 42.1 million project designed to provide water, roads and security lighting for 17,700 families in squatter areas and to service 11,400 new sites. Approximately 7,000 of these sites were intended to accommodate families moved from upgrading areas to permit the construction of roads and other facilities. The remaining sites were to be leased to low and middle income groups.

This evaluation was part of a four country evaluation sponsored

\*The article is based on "Evaluation of Sites and Services Projects: the Experience from Lusaka, Zambia", by Michael Bamberger, Bish Sanyal and Nelson Valverde. World Bank Staff Working Paper No. 548, 1982. The author works in the Urban Development Department of the World Bank. The views expressed in the article are those of the author and should not be interpreted as representing the views of the World Bank or any of its affiliated organizations.

by the International Development Research Centre (Ottawa) and the World Bank. In each country (El Salvador, Senegal, the Philippines and Zambia) a local evaluation unit was established with support being provided for a 5 year evaluation. Technical assistance was provided through the World Bank, and annual conferences were held to review progress. In all countries, except the Philippines, a resident expatriate advisor was contracted for periods of from one to three years. The evaluation exercise began in 1975 and the final conference was held in Washington in 1981. Final reports have been published on the El Salvador and the Zambia evaluations and a number of other reports and journal articles (including the article by Jimenez in the April-June 1982 edition of *Nagarlok*) have been produced<sup>1</sup>.

The article begins with an analysis of the economic and political context within which the project developed. This is followed by a description of the research methodology and the presentation of indicators of project performance. The final section discusses the lessons which have been learned and some of the key issues for the design of future projects.

#### THE PROJECT CONTEXT

Prior to achieving Independence in 1964, Zambia had been a junior partner in British East Africa. Lusaka had been designed as a spacious 'garden city' for Europeans and Asians; Africans were permitted to live there only while they were employed, and were required to return to their villages once employment was terminated. The years following Independence saw a rapid growth in Lusaka's population, caused by booming copper prices, economic diversification, administrative expansion and a relaxation of controls on internal migration and new settlements. Migration to Lusaka was further fuelled by families coming to join spouses already established there. Most of the new migrants moved to the squatter compounds growing up around the periphery of the city.

The newly independent public administration soon found itself responsible for two separate 'cities'. One was the former European and Asian city with its well-planned layout and high service levels. The other 'city' consisted of the rapidly swelling squatter areas which by 1970 housed over 40 per cent of the total urban

<sup>1</sup>The International Development Research Centre, published an Annotated bibliography summarising over 100 research reports prepared by the national research teams and the World Bank as part of this project. A report was also prepared by Keare and Parris (1982) in which the main findings of the evaluation are presented.

population. After initial attempts to continue the colonial policy of demolition, it was accepted that eradication of the squatter settlements was neither feasible nor consistent with the official philosophy of humanism.

In Lusaka, as in many other parts of the world, the squatter settlements were strongholds of the major political parties who became the main protectors and advocates of the many thousands of people whose right to live in the city was still only partially recognised. A key theme throughout the development of the Lusaka project has been the interaction between UNIP (the official party), the Housing Project Unit, and the Lusaka City Council (now the Lusaka Urban District Council). While the objective of the LCC was to integrate the project areas into the normal administrative and financial systems of city, UNIP saw its role as ensuring that the underprivileged squatters received an equitable share of the rewards of Independence.

The factors detailed above determined the political climate within which the Lusaka project was planned and developed. The newly independent Zambia wished to remove the vestiges of colonialism and to give Africans the same benefits previously enjoyed by expatriates. The philosophy of humanism reinforced this sentiment by making social and economic equality an important political objective. These ideals, together with urban planning traditions, created pressures to provide good, high-standard housing for everyone. Further it was felt that housing is a right, and that standards should be determined by needs as much as by ability to pay.

At the same time the increasingly harsh economic realities and the rapid increase in demand for public services obliged planners to seek more pragmatic approaches with lower standards and greater concern for cost recovery. The potential contradictions between political objectives and economic realities continued throughout the Project's development.

### *The Administrative Challenge*

To get an objective view of the project's achievements, it is necessary to appreciate the enormity of the administrative tasks entailed. On top of the pressures created by Independence, departure of expatriate staff, and the assumption of functions previously administered from London; the Lusaka City Council and the central government agencies were required to develop completely new administrative systems to handle the 40 per cent of the population living in the formerly illegal squatter areas. The situation was complicated by the fact that the quasi-legal status of the squatter areas meant they produced almost no revenue for the city to help cover the costs of their development. The incorporation of these areas contributed substantially to the

decline in per capita revenue of the city of Lusaka from 3.57 Kwacha in 1965 to 1.38 Kwacha in 1972. The policy options were further constrained by the end of the economic boom of the sixties.

A further complicating factor were the powerful political organisations growing up in these areas. These organisations sought to obtain as many services as possible while often actively opposing the use of stronger sanctions, such as cutting off water or evictions, to improve cost recovery and administrative solvency.

The project also had to contend with the very poor cost recovery record of other public housing and service programmes. Poor administration combined with the active political opposition to sanctions had created a fatalistic attitude that costs could not be recovered, and consequently made it difficult to muster support for an active attempt to improve cost recovery. The issue was complicated further by the existence of housing subsidies for employees of government, local authorities and parastatal organisations. Whereas low-income households in the project were expected to pay the full economic cost, many of the highest paid public servants were paying as little as 10 per cent of the economic rent for their houses<sup>2</sup>.

The matter of land acquisition illustrates a further administrative problem faced by the project. One of the major political and economic reforms of the new regime was the elimination of freehold land and the limitation of land value to its unexhausted productive capacity. Although it was assumed that the increased regulatory power of the government would greatly facilitate the process of land acquisition, in fact this proved to be one of the greatest obstacles to project implementation, causing delays of more than two years.

#### EVALUATION METHODOLOGY

The evaluation, which began in 1975 and ended in 1981 involved the following components (Lusaka Housing Project Evaluation Team 1977) :

- (a) Socio-economic surveys of the project population conducted at various points during the evolution of the project.
- (b) Monitoring studies, usually lasting less than a month, to address specific operational issues such as the effectiveness of mutual help construction activities, the movement of households to overspill areas, etc.
- (c) More rigorous studies combining sample surveys, review of secondary sources and interviews with project officials. Examples include, the process of house construction and con-

<sup>2</sup>Hinh, *et al*, "Housing Subsidies in the Public Sector in Zambia" (see references).



solidation (Banda, 1979), the effectiveness of the community development process (Ledogar, 1979) and the effectiveness of community markets (Todd, 1979).

- (d) Intensive case studies using anthropological and participant observation techniques. An example was a time budget study "A week in the life of Jone Phiri" (LHPET, 1977).
- (e) Financial studies combining interviews and analysis of secondary sources. The two principal studies of this kind were the analysis of the causes of the poor cost recovery performance (Sanyal, 1978); and a study of housing subsidies (Hinh, Sanyal, Valverde and Bamberger, 1981).

The original research plan also included the use of a quasi-experimental design (Cook and Campbell, 1979; Bamberger, 1981) in which measurements would be obtained from a control and experimental group at various points in the evolution of the project. However, due to a number of operational problems, of which the most serious was the elimination of one of the control areas due to flooding; it was not possible to fully implement this part of the design.<sup>3</sup>

#### INDICATORS OF PROJECT PERFORMANCE

Tables 1 through 5 summarise the main findings of the report with respect to project organisation and design, physical implementation, efficiency and impact on participants, the city, and housing policies. The figures are based on the situation in June 1981 when the report was completed.

Table 1 shows that in general the project was well designed. Sites were well selected and house designs were accepted by most participants. With respect to infrastructure, water and sewerage were satisfactory, but street lighting and garbage collection were inadequate. There was some dissatisfaction over issues related to the extension of the road networks and the design of community facilities.

Table 2 shows that the internal organisation of the Housing Project Unit (HPU) was good but that problems arose in coordination with the City Council and other agencies.

<sup>3</sup>Although the complete quasi-experimental design could not be implemented, surveys were conducted with samples of project participants at 3 points in the project's development cycle and a useful socio-economic data base was generated. See Valverde and Papst, 1980.

TABLE 1 EVALUATION OF PROJECT DESIGN

<i>Component</i>	<i>Evaluation</i>	<i>Comments</i>
(1)	(2)	(3)
Selection of Lusaka for first project	Good	Demonstration effect. Simplifies coordination. Only disadvantage contradicts investment decentralization policy.
Selection of Sites in Lusaka	Good	Sites close to employment and services. Unexpected land acquisition delays in George. Problems with higher water table in Site 6.
Plot size	Good	Demonstrate smaller plots widely accepted.
Floor plans	Good	Wide acceptance.
Building materials	Mixed	Essential to encourage house upgrading as no other sources of finance. May have encouraged use of more expensive materials such as cement blocks as cheaper options not always sold. Insufficient funds to cover demand.
<i>Infrastructure</i>		
Water supply	Good	General satisfaction. Some maintenance problems partly due to cutting off water as part of cost recovery strategy.
Roads	Mixed	Road network greatly improved access to the city. Considerable maintenance problems. Lack of interior roads contributed to garbage collection problems.
Street lights	Poor	Agreed level of lighting decreased. Considerable dissatisfaction with lighting level.
Sewerage	Good	General satisfaction with pit latrines. Complaints of insanitary conditions when shared.
Garbage collection	Poor	Dissatisfaction. Garbage often not collected from houses which do not have access to roads where trucks enter. Lack of initial briefing to persuade households to carry bins to main roads.
<i>Community Facilities</i>		
Markets	Poor	Markets develop spontaneously and there is probably no justification for including them in the project.
Materials stores	Mixed	Material stores an essential component of the project as difficult to obtain materials on the open market. High incidence of robberies suggest stores should be located closer to other facilities rather than isolated.
Community centers	Mixed	May have been better to let community plan, build and control centers: many under-utilized. Multi-purpose center may not be consistent with cultural separation of the sexes.

TABLE 2 EVALUATION OF PROJECT ORGANIZATION

<i>Component</i>	<i>Evaluation</i>	<i>Comments</i>
Establishing HPU as special unit	Good	Efficient project implementation by dynamic management team avoided many of the bureaucratic constraints facing the city council. Able to recruit higher level staff. Separation may have contributed to cost recovery difficulties and long-term maintenance of services.
Interaction with City Council	Mixed	HPU treated as outside agency. Cost recovery example of coordination problems.
Inter-agency Coordination	Mixed	Inter-agency coordinating committee not effective. Land acquisition serious example of coordination breakdown.
HPU-Community relations	Good	Field team approach worked well. Potentially disruptive project accepted with minimal protest by communities. Satisfactory handling of political organization of the communities. Road planning groups worked very well. Cost recovery major example of coordination problems.
Internal HPU organisation	Good	Management team approach worked well. Many management innovations developed.

SOURCE : Bamberger, Sanyal and Valverde, *op. cit.*, 1982, Table 2.

Table 3 shows that the target for the number of families to benefit from upgrading was exceeded by 18 per cent but that a considerable proportion of the serviced sites had not been developed. Similar shortfalls can be observed with respect to the provision of community facilities.

Table 4 presents indicators of the efficiency of project implementation. The most efficiently executed components of the project included selection of participants for sites and services, community participation in project planning, the process of house construction, and the provisions ensuring project affordability. At the other extreme, significant problems arose with land acquisition and cost recovery. Experience was mixed with mutual help construction, the use of participants' own labour in construction, and the operation of material stores, the materials loan programme, and maintenance.

TABLE 3 COMPARISON OF PHYSICAL OBJECTIVES AND ACHIEVEMENTS AS OF JUNE 1981

	<i>Appraisal Target</i>	<i>Achievement (as of 6/81)</i>	<i>Achievement as percentage of Target</i>
<b>A. PHYSICAL IMPLEMENTATION</b>			
1. <i>Residential units serviced</i> (dwellings or plots)			
(a) Squatter Upgrading	16924	19916	118
(b) Overspill area	7588	7775	102
(c) Phased normal (basic) sites	1197	974	81
(d) Normal low-cost sites	1204	1188	99
(e) Normal medium cost sites	1938	1503	77
TOTAL	28851	31355	109
2. <i>Community Facilities</i> (Number completed)			
(a) Schools	20	8	40
(b) Health centers	3	3	100
(c) Markets	17	6	35
(d) Community Centers	17	7	41
<b>B. SOCIO-ECONOMIC IMPROVEMENT</b>			
1. <i>Residential Units Allocated</i> (dwellings or plots)			
(a) Squatter upgrading	16924	19916	118
(b) Overspill Areas	7538	5550	73
(c) Phased normal (basic sites)	1197	888	74
(d) Normal low-cost sites	1204	1188	99
(e) Normal medium-cost sites	1938	587	30
2. <i>Allocation of Site and Services</i> <i>Plot to Target Group</i> (No. of plot developed vs. % of total developed plots)			
(a) per cent of plot allocated to households earning less than K70 per month	50%	20%	
(b) Number of plots allocated to households earning less than K300 per month	n.a.	2240	
(c) Number of plots allocated to households earning more than K300 per month	n.a.	174	
3. <i>Core Units Erected (No. of Units)</i>			
(a) Overspill area	7578	4277	56
(b) Sites and services area	4339	1823	42
4. <i>Building Materials Loans</i>			
Total value of materials issued	K5,609,000	4,474,000	79

SOURCE : Bamberger, Sanyal and Valverde, *op. cit.*, 1982, Table 3.

TABLE 4 EVALUATING THE EFFICIENCY OF PROJECT IMPLEMENTATION

Component	Evaluation	Comments
Land acquisition	Poor	Unanticipated delays of 2-3 years slowed project and produced cost escalation. HPU slow to follow-up on administrative steps to speed acquisition process.
Selection of participants for sites and services	Good	System fair and accessible to low income groups. After initial delays efficiency improved considerably.
Community participation in planning	Good	Road planning groups worked well. HPU field teams worked efficiently.
Mutual help construction	Mixed	Mutual help used much less than planned in construction. Often inefficient and difficult to organize. However, worked very well in several cases where groups continued to work on other projects.
Use of own labour for house construction	Mixed	Used less than expected as many families preferred to hire labour for good economic reasons. Own labour was useful option for some poorer families.
House construction/consolidation	Good	Most families were able to build good quality house in short period of time.
Material loans and materials stores	Mixed	Loans essential part of project as few alternative sources of housing finance. Problems and delays in administration of material stores. Some later improvements.
Cost recovery	Poor	High default rates due to a combination of administrative problems with lack of political will to collect.
Project Affordability	Good	Upgrading affordable to virtually all families. Sites and services offered wide range of options so affordable to wide range of households.
Maintenance	Mixed	Problems developing due to lack of financing for maintenance. Potential problems with deterioration of roads, garbage collection and blocking of drains.

SOURCE : Bamberger, sanyal and Valverde, *op. cit.*, 1982, Table 4.

Finally, Table 5 presents indicators of project impact. There was some impact on income particularly for poorer households through rental use of portions of housing. Over \$1 million of additional wage income was also generated during the process of house construction. The project significantly improved the quality of housing and also affected food production through the provision of gardens. There was no evidence that the project affected rural to urban migration or led to overcrowding.

TABLE 5 INDICATORS OF PROJECT IMPACT

Type of Impact	Indicators
<i>Impact on Project Participants</i>	
Rental income	At least 14 per cent of upgrading households receive rental income with higher proportions for poorer households.
Other income	38 per cent in Sites and Services believe that project has positive impact on their income. House construction generated 8,000 person/months of work and over \$1 million in wages paid by participants to hired labour.
Housing costs	38 per cent in Lilanda (Sites and Services) say housing costs have fallen.
Housing quality	75 per cent believe housing quality improved.
Access to water	69 per cent believe access to water improved.
Access to gardens	63 per cent believe better access to gardens.
Population density	No evidence of project.
Rural to urban migration	No evidence of project inducing migration.
<i>Impact on City</i>	
Housing stock	Increased by 11,500 units with 20,000 upgraded. Value of housing stock increased by at least 15 million Kwacha.
City finances	Considerable <i>potential</i> increase in tax base. Project currently produces financial burden due to poor cost recovery and demand for higher level of services not covered by project financing.
Political impact	Integration of urban poor into political system.
Social impact	Social integration due to wide income spectrum in projects and to location of urban poor in areas close to the city.
Transport	Substantial improvements in transport systems partly through stimulation of private transport companies.
<i>Impact on Housing Policy</i>	
Housing standards	Acceptance of lower standard. Integration of sites and services and upgrading into housing policies.
Land	Increased awareness of land as constraint on housing development and helped develop new land legislation.
Equity	Increased awareness of the inequitable system of housing subsidies.

SOURCE: Bamberger, Sanyal and Valverde, *op. cit.*, 1982, Table 5.

The project produced a dramatic impact on the housing stock. Over 11,500 new units were built and 20,000 existing units were upgraded, adding over \$25 million to the value of the housing stock.

An important political consequence was the incorporation of the urban poor into the formal political system. Impacts on national housing policy are more difficult to evaluate, but both sites and services and upgrading now form a central part of national housing plans and the lower and economically more realistic design standards have been generally accepted. Acceptance of the new shelter options was helped by the impressive fact that the cost of providing a new basic unit was about 10 per cent of the cheapest alternative public housing. The project also encouraged the rationalisation of land policies and raised equity issues related to current housing subsidies.

#### ISSUES FOR FUTURE URBAN SHELTER PROGRAMMES

One of the most useful functions of the evaluation has been to draw conclusions which may be helpful to urban development planners in other countries. The issues are presented here in the order in which they will normally occur in the design and planning process.

##### *Appropriate Organisational Structure*

The Lusaka Project was implemented by a specially created agency, the Housing Project Unit (HPU). The appropriateness of creating a special agency rather than working through an existing one, was a key policy decision in Lusaka as it is in many other shelter projects. There was a clear trade-off between increased efficiency of project implementation on the one hand, and long-term institutional development and project replicability on the other. Given the cumbersome structure of many municipal authorities, the implementation of an innovative project may be seriously prejudiced by operating through traditional channels. It is vital that first projects succeed if they are to demonstrate the feasibility of a new approach. On the negative side, effective cost recovery and maintenance systems are difficult to institutionalise when the executing agency does not have any continuing responsibility for the project once construction is completed.

The Lusaka experience suggests the following factors should be taken into consideration when a special project implementation unit is to be created:

- (a) Special units often have more flexibility in terms of salaries, and key staff are often paid more than normal civil service rates. Consideration must be given to what will happen when the unit is merged with the municipality, so as to avoid the departure of staff due to lower salary scales.
- (b) Coordinating mechanisms must be set up early to ensure a smooth transition of the special unit's activities into the regular municipal administration.

- (c) Lines of responsibility for cost recovery and project maintenance must be clearly defined as these components will be under the long-term supervision of the municipality.

### *Land Acquisition*

In the Lusaka project, administrative and political complexities bearing on the process of land acquisition were a major cause of delays, and of consequent cost escalation. The following issues must be considered early in project planning:

- (a) Does the acquisition of land require any special legislation? If it does, it is essential to begin the legislative process as early as possible.
- (b) Expert advice should be sought on problems likely to arise in getting legislation approved and implemented. One common problem is that compulsory purchase tends to lower the value of land and thus make owners less willing to sell. Another possible source of problem can be opposition from groups such as squatters, cooperatives or small farmers who presently occupy the land.
- (c) As land acquisition is likely to be the key factor in determining the speed of project implementation, it may be useful to set up a high-level committee with powers to take expediting action.
- (d) Land surveying and title search can be time consuming and require a considerable number of professional staff. In the case of Lusaka, these professionals were not available, further adding to delays. Arrangements must be made to ensure that the required professionals are available, and provision made for the training of staff or, where necessary, the use of expatriates or consultants.

### *Project Finance*

Cost recovery proved to be one of the most intractable problems in the Lusaka project. In the main upgrading areas between 11 and 29 per cent of households were at least 9 months in arrears on service charges and between 58 and 78 per cent were 9 months in arrears on loan repayment. The position was slightly better for sites and services although arrearage was still considerable. Among the causes were political opposition to the use of sanctions against defaulters, lack of information on charges and arrears and poor administrative systems. The following are some of the key issues:

- (a) The existence of housing subsidies in other sectors considerably increases the difficulties of gaining support for, and



implementation of an aggressive cost recovery system; and unless the issue of existing housing subsidies is clarified it is likely to give rise to political opposition to cost recovery measures.

- (b) Cost recovery problems in the Lusaka project were due partly to administrative difficulties and partly to a lack of political will in pursuit of defaulters. Several possible approaches could be adopted: involving the community in the cost recovery process (ideally from the planning stage); seeking the support of local political groups to persuade project residents to cooperate in making payments, or developing efficient administrative systems which can lessen the risk of political interference; provide adequate information to the community on the amounts and timing of payments and the reasons for them; efficient administration of payment collection, including prompt, accurate information to those who owe, and proper payment facilities, such as convenient office hours.
- (c) Material loans have been an important facet of many projects, as low-income households usually have very limited access to other sources of finance. Appropriate loan estimation is a key factor here. Families must be provided with sufficient resources to complete a liveable dwelling unit without assuming financial burdens they cannot handle. Another issue is whether loans should be given in the form of materials vouchers redeemable only in the project-related stores or in the form of funds they can spend at their discretion. In the case of Zambia, loans through material stores were appropriate because the unavailability of materials would have made it very difficult for families to procure needed supplies on the open market. On the other hand, this system apparently forced families to buy more expensive materials than they might have wished, because these were what the project stores made available. In general, where a well-functioning building materials market exists, it is better not to tie purchases to a particular outlet.

#### *Issues Related to Physical Design*

Many planners argued that as land was relatively abundant in Lusaka, plots should be large enough to permit households to build a large house and have space to grow food. The counter-argument was that too large plots would both increase the cost of providing basic services and hasten the time when land within the city would actually become scarce.

The results of the evaluation suggest that there is a considerable

variation in the plot sizes families desire. Many families did not use the area surrounding their house for growing food. The optimum design would offer a range of plot sizes with economic pricing so that families desiring larger plot sizes would either have to pay more or be willing to live on the periphery of the city, where land is cheaper.

The evaluation also showed that the provision of large plots is not a very effective way to ensure lower population densities. Households will begin to sublet or to have additional relatives move in, so that densities will increase wherever low-cost housing is constructed in prime urban locations.

There was also considerable debate about the appropriate level of services. Because there is a direct relationship between service level and cost, it is necessary to offer a low service level as one option in order to avoid excluding large groups on the grounds of affordability. Probably the ideal design is to begin with a low level of services and to provide households with the option of upgrading at such time as they are able to afford it. It will often be found that as the demand for rental accommodation increases, many families will wish to upgrade services in order to charge higher rents, so the process of upgrading may be faster than expected.

There must also be an effective system of cost recovery if upgrading of services is to be self-financing, and households must not be permitted to solicit service upgrading unless they are up to date with all their service and loan payments.

### *Issues Related to Community Participation*

Considerable importance was attached to achieving a high level of community participation in project planning and implementation both to achieve grassroot participation and to increase the efficiency of implementation. The following are some of the important policy issues:

- (a) It is important to define clearly whether the community is to have an active role in project design or whether the objective is simply to ensure community support for decisions which have already been made. In Zambia, as elsewhere, there was a certain ambivalence on this point. It seems likely, for example, that more active community support for cost recovery could have been achieved if the community had some voice in selecting the services to be provided.
- (b) With respect to mutual help construction, it must be decided whether this is to be a training experience in community organisation, a method of reducing project costs, or an opportunity for the community to earn money which they can spend on

additional facilities. In Zambia there was some confusion on these issues and in some cases residents were pressurised to participate in mutual help efforts without a very clear idea of objectives. Although mutual help can be an effective way of providing practical training in group organisation, experience suggests that these activities should normally not be made compulsory. Instead, community groups should be given the opportunity to participate if they so desire.

- (c) Careful thought needs to be given to the role of the community in the cost recovery process. If there is to be community involvement, it should begin early enough to allow prospective participants some say in the project design. It is almost never possible to involve community members simply as collection agents, for they have no incentive to exert pressure on defaulters to pay. As the Zambia experience showed, if local political groups are involved in the collection process, there is always the possibility that they will disagree with the use of sanctions and may thus make it even more difficult to collect payments. The community can either be given a very active role, with its attendant risks, or its role can be kept to a minimum and cost recovery organised as a purely administrative task.
- (d) An issue beginning to emerge towards the end of the evaluation was project maintenance. There were some indications that the community perceived maintenance to be the responsibility of the project administration or city government, with very little feeling of participant responsibility for upkeep of public facilities (water taps, drainage, ditches, etc). As with cost recovery, experience suggests that the community must be involved in maintenance considerations at a very early stage, rather than after problems have already developed. It should be possible to instill a sense of pride and proprietariness on the part of the community so that its members will accept joint responsibility with the government for maintenance. It is essential to avoid creating either of two impressions: that the government will solve all problems (a false promise politicians the world over cannot resist making), or that families in poor areas will be expected to perform for themselves maintenance functions that are apparently provided free to middle-income areas of the city.

#### *Issues Related to the Construction Process*

In general the construction process was very successful. The

following policy issues emerged :

- (a) A higher proportion of families than expected decided to hire labour rather than build for themselves. This can be explained partly by a much lower level of unemployment among participants than had been expected, and partly by the fact that most families either lacked the skills to build their own house or preferred to invest in skilled labour in order to guarantee a better quality structure. Project design should provide for both options. Families who wish to use their own labour should be helped to do so, but those who prefer to hire labour also be encouraged by allowing them to use the loan for this purpose and perhaps giving help in the selection and supervision of contractors.
- (b) As noted earlier, mutual help should probably not be a required part of the construction process, although it might be offered as an option for those who are interested. In several countries, including Kenya and El Salvador, voluntary mutual help groups have proved an effective means of house construction.

#### *Issues Related to Income Generating Components*

Although the specific income generating components of the Lusaka project did not have significant quantitative impacts, the construction process itself generated over \$ 1 million in demand for labour. In addition, the project appears to have increased rental income and income from food production. A number of important considerations for future projects emerged:

- (a) Although subletting and the addition of rental space were discouraged to avoid 'landlordism', observation suggests that high proportion of households may have sublet part or all of their house. This appears to have been particularly important as a source of income for poorer families. Many projects have met with difficulty in defining policy with regard to rentals and sales. On the one hand, rentals are a potentially significant way of increasing the income of poorer households, and thus enhancing project affordability. On the other hand, there is concern that poorer sections may be exploited, either by having to pay higher rent, or by being forced out of the project. The following are some possible guidelines with respect to policies on subletting and sale.
- (b) Rental income is one of the few ways in which most projects have been significantly able to affect the incomes of their

target populations. As long as measures can be taken to avoid the worst abuses, subletting should be permitted. An interesting example is the Dandora project in Nairobi, where poorer families were actively encouraged to sublet part of their house, and where part of the construction loan could be used to build extra rooms to be sublet.

- (c) Although subletting should be permitted, ideally households should be required to register the fact that they are renting space, and should be required to pay a higher service charge to reflect the greater use of services and the greater capital gain they will enjoy.
- (d) In sites and services projects, it may be appropriate to regulate sales during the first few years so as to permit families to appreciate the value and benefits of their new dwellings before they consider selling. Selling should not be completely prohibited during this initial period, but should be subject to special approval.
- (e) In an upgrading project, setting should probably be permitted with only minimal controls. However, some type of capital gains tax should probably be levied so that the local government can recoup part of the value of any subsidies included in the project. □

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## Book Reviews

*Urban Growth and Urban Planning: Political Context and People's Participation*, ALFRED DE SOUZA (ed.), New Delhi, Indian Social Institute, 1983, pp. 160, (paperback).

The book is a collection of papers on some of the important aspects of urban planning and development in India. These include urbanisation and the urban planning response given to it, urban growth analysis in the last decade, urban land policy, planning for the urban poor, and the rural-urban migration.

C.S. Chandrasekhara, in the opening chapter, deals with the response so far given to the problems emanating from urbanisation in India. Starting with the development of settlements for the rehabilitation of refugee population flocking to the Indian towns and cities after partition of the country, he takes a wide sweep in surveying the urban development projects, development of new towns in the different states, the efforts to channelise urban growth in the sprawling metropolitan cities of Calcutta, Bombay and Delhi and the centrally sponsored scheme of Integrated Urban Development Programme. The pitfalls in planning efforts as also the gaps in implementation of these diverse urban development projects, he feels, has considerably enriched the experience and insight for undertaking the urban development programmes in future. He also points out the weaker links observed in urban planning process in this country. However, one may not agree with certain observations of the author in eulogising the effectiveness of the Master Plan approach in dealing with the problems of a fast growing cities in the third world countries. There is now a consensus even among the community of town planners that land use plan is a rigid plan concerned merely with the city form rather than with its total development. A factual error has also crept into this paper when the author observes that the Delhi Improvement Trust became responsible for planning and development of Delhi under the Master Plan (p. 9).

Patterns of urban growth during 1971-81 is the subject of analysis by Ashish Bose. He analyses the 1981 Census data on urban population and the regional variation in urbanisation and observes that

India is entering a more, mature phase of urbanisation where expanding industries are contributing significantly to the urbanisation process and urbanisation in turn is playing a positive role in promoting economic growth. But the analysis is based on inadequate data base and is tentative. Bose himself cautions to draw any broad generalisation on the basis of such inadequate data base.

Urban land policy happens to be the theme of the paper written by Louis Menezes. Tracing the evolution of urban land policy in India, he examines the various pros and cons of the policy for land acquisition, the land tenure system, plotted and group housing, squatters settlements, urban land ceiling, and land use control. He concludes that the implementation has been tardy. He, therefore, pleads for an effective public intervention on legislative, planning and fiscal fronts in harmony with other available instruments for achieving the policy objectives. Talking of fiscal intervention in the urban land market for mopping up of the unearned increment of land values, he mentions property tax as an instrument for regulating the land market and cites, the Calcutta example of straight line method of determining the tax liability (not the 'system of graduated valuation') as a new innovation. But he ignores the basic restraining influence of the rent control act on valuation and assessment of properties. The Calcutta innovation deals only with the assessment of tax. The Central Valuation Agency in Calcutta is unlikely to succeed in improving upon the valuation practices unless the restraining influence of the rent control legislation is properly tackled at a different plane altogether.

E.F.N. Rebeiro traces the various strategies of planning for the urban poor from time to time and observes that, of the three strategies of: (1) clearance and removal, (2) environmental improvement programme of slums, and (3) the sites and services, recourse should be taken only to (2) and (3). He then goes on to review the implementation of the programmes in the four prime metropolitan cities of Delhi, Calcutta, Bombay and Madras. He observes the total absence of Delhi's bulldozing approach in other metropolitan cities. Calcutta presents an example of slum upgrading where the low income housing is intrinsically linked up to the core area employment and social interaction. Bombay, on the other hand, has not been able to try EIP (2) chiefly because of financial burden involved. He finds in Madras an attempt to provide a package of socio-economic inputs for all round development of slum dwellers. He concludes that the current effort indicates a greater concern for urban poor than before. The engineering aspect is now giving way to socio-economic inputs.

Strategies for Ahmedabad slums is the theme of the paper written by Kirtee Shah. According to him there does not exist any visible strategy either to arrest the growth or to remedy the deteriorating



situation of slum in Ahmedabad where about 40 per cent of its population is residing in slums and hutments. He suggests a three-tier strategy: (i) preventive strategy to slow down the growth, (ii) curative strategy to improve the conditions, and (iii) a futuristic strategy to plan and provide for the inevitable future growth. For (i), he feels that the Draft Development Plan has lost the opportunities to plan and develop growth centres for making a dent on the slums. For (ii), he suggests environmental improvement programme as the efforts made by the Ahmedabad Municipal Corporation and the state Slum Clearance Board and the Housing Board are inadequate, stereotype and expensive. He rightly observes that the present crisis in the urban environment is partly the crisis of inappropriate intervention because the projects invariably ignore and negate people's strength. He suggests to constitute a special committee having representative of the government and voluntary organisations to prepare a comprehensive long term plan.

Andrea Menefee Singh deals with the migration of women from the rural areas. She observes that the majority of them are young and they belong to the lower caste. Its implications for planning suggests that planned intervention is required to cater to the changing needs in terms of social services for the young family and employment opportunities for the women. The paper is thus dealing with too micro a level to have any substantive concern for urban planning and development, particularly at this stage of economic development.

Political context of urban growth and planning and people's priorities which happen to be the major theme of this book, is finally dealt with in the last chapter written by Alfred de Souza, also the editor of this book. He points out the elitist disposition of urban planners because of their colonial heritage which does not make them to operate within the economic, social and cultural realities of the situation. They are, by and large, preoccupied with making poverty less visible and pricing out the urban poor from the housing market.

The papers in the book thus deal with some of the important aspects of urban growth and urban planning. Its political context and people's priorities, the thematic content of this book is, however, not well taken care of. The papers included in this book, except a few exceptions, do not seem to be interrelated in focussing on its thematic context. However, the book contains some good papers on some of the important problems of urbanisation in this country.

*Report of the Study Group on the Strategy of Urban Development*, New Delhi, Government of India, Ministry of Works and Housing, 1983.

This is one of the four Study Group (SG) reports prepared for the Central Council for Local Government and Urban Development in pursuance of a resolution in its annual meeting held in December, 1980. The six-page main report deals with its six terms of reference (TOR). The drafting of the report is somewhat confused and hardly does any justice to the wide TOR considered by as many as 13 members constituting the SG. Here we would examine the report in relation to the various TOR assigned to the SG.

#### *TOR—1 & 2: Pattern of Urban Development*

The SG made three inter-related suggestions on the theme of ensuring a desirable pattern of urban development, viz. : (a) metropolitan development should be directed towards activities that use less land, use existing physical infrastructure facilities to the maximum and cause less environmental pollution; (b) planning of industrial development or dispersal should be linked with urban development planning; and (c) different policy packages are needed to promote different patterns of urbanisation in the various regions of the country. These homilies question the existing negative stance of urban planning, conceived in isolation of the policies for employment and economic growth, and directed against metropolitan development. However, the SG does not pursue its critical strictures of the current urban policies to a systematic evaluation of the unverified premises on which these are based.

#### *TOR—3 & 4: Urban Development and City-size*

The SG expressed dissatisfaction with the present centrally sponsored scheme for small and medium towns (IDSMT) where their selection is mainly made on considerations, such as, population and statewide distribution; rather than the imperatives of regional development, needs for employment and income, and of providing support to location-based activities. A thorough evaluation of this scheme is needed before its further continuation. The second question that the SG examined was the idea of relating urban investments towards 'infilling' and 'densification' in the major urban centres, consistent with the availability and accessibility of infrastructural facilities within existing urban settlements, rather than planning for new townships. It was felt that other factors, like "social cost and quality of life, should also be taken into account while adopting strategies of infilling and densification" (*sic*).

TOR-5: *Urban Finance*

The SG thought that for efficiency reasons, cost recovery of urban services should be attempted; where subsidies are unavoidable, the policy should be either to offset it against the mobilisation of additional revenues through taxation and remunerative ventures, or to fix a time period within which to eliminate the subsidy. Measures are to be devised for the municipalities to exploit existing tax sources, to tap new sources of taxation, and to generate income through remunerative enterprises. The state governments should undertake periodic exercises to assess the adequacy of municipal finances, organise the devolution of state resources and sharing of state taxes in a regular manner. Such generalities avoid a critical assessment of the existing constraints on municipal resource mobilisation and hold out a hope that policies on cost recovery of urban services could be reconciled with their provision to the urban poor without contradictions.

TOR-6: *Urban Research*

The SG emphasised the necessity of recognising urban development and housing as a special subject in selected academic institutions. The SG also suggested strengthening of the data base and documentation in these areas. Apart from the management institutes, the universities and urban development authorities should be encouraged to take up systematic and meaningful research on urban development and housing through the pooling and deployment of funds by the central and state government for this purpose. While on the subject of research, the SG attempted to list out a number of areas where systematic research may help in improving urban policy-making. The underlying assumption obviously is that the framers of urban policies would be willing to use the resultant knowledge inspite of their political predictions.

ABHIJIT DATTA

*Secondary Cities in Developing Countries: Policies for Diffusing Urbanization*, DENNIS A. RONDINELLI, New Delhi, Sage Publications, 1983, \$ 28 (hardback), \$ 14 (paperback).

The book is an excellent review of the literature on secondary city development in the LDCs, culled from isolated case studies on some of the cities by researchers and appraisal reports by international aid agencies. While the case studies do provide some data about the characteristics of the cities studied, the appraisal reports indicate the investment strategies for the promotion of these cities as effective

buffers between the metropolitan areas and the rural hinterland in the countries concerned. Throughout the book the idea that secondary city development is a worthwhile objective in itself has been uncritically accepted and the varying commitments of the LDCs in this direction have been noted. What is missing is an objective analysis of some of these policies in the context of specific country situations and the trade-off involved between equity and growth in this context. The political pressure for secondary cities development, or its obverse: the bias against metropolitan concentration, is well known; what is not known is the effectiveness of some of these policies already in this direction and with what effect. Only when one has an understanding of the induced growth process of spatial development, one would know how much is too much or what could be the optimal balance of settlement pattern within limited investment opportunities available in most of the LDCs.

The book contains a valuable chapter on strategies of secondary city development, incorporating the varying policy goals of such development. Here again it is difficult to discern any generalised strategy in the absence of detailed knowledge of past development experience. The book, therefore, could be regarded as a first stock-taking of the existing approaches to secondary city development in the LDCs. Any policy conclusions on the basis of this world-wide survey would, however, be premature without future knowledge about how such a city actually ticks. The initial questions remain: what can the official agencies do to make it true, at what cost, and within which time dimension? The book unfortunately does not venture to answer these queries.

—ABHIJIT DATTA

*Decentralization and Development : Policy Implementation in Developing Countries.* G. SHABIR CHEEMA AND DENNIS A. RONDINELLI (eds.), New Delhi, Sage Publications, 1983, pp. 319.

The book is a collection of articles by eight scholars who examine decentralisation policies and their implementation in developing countries. National policies, regional and local administration, and project design and implementation are the dimensions of decentralisation and development which are analysed. Attempt is made to identify social, political, economic and administrative factors which influence the success and failure of decentralisation policies.

In Chapter I, the editors review the changing approaches to development policies and administration and summarise the rationale for decentralisation. The concept of decentralisation is broadly

defined to mean "the transfer of planning, decision-making or administrative authority from central government to its field organisation, local administration units, semi-autonomous or non-governmental organisations". Four major forms of decentralisation are identified, viz.: (a) deconcentration, (b) delegation to semi-autonomous or parastatal agencies, (c) devolution to local government, and (d) transfer of functions from public to non-governmental institutions. This is followed by a discussion on the influence of four sets of interrelated variables such as, environmental conditions, intergovernmental relations, resources for programme and policy execution, and characteristics of the implementing agencies.

In Chapter II on "Decentralization Development in Asia: Local Political Alternatives", Friedman concludes that "the perceived 'need' of the central government have determined the appropriate description of local governments". Mathur in Chapter III on "Administration Decentralization in Asia" comes to the similar conclusion that since there is no sympathy for devolution of authority on local government, attempts at decentralisation have been on changes in administrative system covering: (a) deconcentration of responsibility for development function to field agencies without giving necessary discretion or autonomy; and (b) delegation of functions to agencies that are outside the regular administrative system.

In Chapter IV on "Decentralization of Development Administration in East Africa", Rondinelli reviews the recent African experiences with decentralisation of planning and administration for securing participation in national development policies. A review of the implementation of decentralisation policies, however, reveals similar nature of problems such as weakness of lower-level political support, resistance by the central bureaucracy, lukewarm support if not outright opposition by traditional local leaders, shortage of skilled manpower, and insufficient local financial resources. The question which has not been examined is, to what extent these bold experiments had any chance of success under a single party system conveying the central authority to the decentralised units at regional, provincial or local levels?

Nellis in Chapter V on "Decentralization in North Africa: Problems of Policy Implementation" examines the decentralisation policies in the four country's of Magreb region. It is strongly believed that lack of decentralisation has been the prime cause for region's "colonialisation yesterday and its under development today". These countries inherited and have maintained centralist French administrative traditions. Nevertheless, the author identifies the pressures for decentralisation in these countries and notes that except in the case of Libya—which dismantled the state apparatus at the local level seeking

to give power to masses through *jamahirya*—reforms in this direction have been slow.

Harris in Chapter VI on "Centralization and Decentralisation in Latin America" reviews the recent attempts to amend the over-centralisation as a fundamental characteristics of governments in the region. The major forms of attempted decentralisation have been through: (i) the establishment of regional autonomous government agencies, and (ii) regional deconcentration of traditional ministries and central autonomous administrative entities. Regionalisation is, however, an attempt to decentralise as well as to centralise with a view to achieve greater coordination among various government agencies operating in a region. Decentralisation reforms in Latin America have not favoured devolution of powers to local governments, despite the advice of the international development agencies to promote local participation in development planning and administration.

Shabbir Cheema in Chapter VII strongly argues for a "Role of Voluntary Organisation" in decentralised development process. In particular, he emphasises their "vital role in creating awareness among the disadvantaged of their situation, agitating on behalf of the specific needs of the poor and increasing the access of the poor to governmental facilities and programmes". Weaknesses of voluntary organisations in the developing countries are well known. If political and cultural orientation of a society considers authority mainly as a means of control over others, the governments are less likely to share their authority, least of all with voluntary organisations.

Montgomery in Chapter VIII on "Decentralizing Integrated Rural Development Activities" appears to be advocating a contingency model of decentralisation which explaining the role-pressures of the decision-makers and the active environments they have to deal with. The analysis is based on the findings of the case studies of the IRD experience in developing countries and it leads to the identification of different styles of decentralised management. Leonard in Chapter IX entitled, "Interorganisational Linkages for Decentralized Rural Development: Overcoming Administrative Weaknesses" examines the organisational linkages in rural development projects. He lays stress on the importance of market as an administrative mechanism for increasing organisational effectiveness and for discarding redundant linkages.

The editors in their conclusions in Chapter X observe that despite different motivations behind decentralisation policies in developing countries, the progress in implementation is slow. Various forms of decentralisation and the factor influencing its success or failures are summarised and guidelines for improving the implementation of decentralisation policies are laid down.

If participation is the crucial element in decision-making, the devolution form of decentralisation is most crucial. It is in this context that decentralisation is basically a political decision and institutional stability is a necessary condition for its success. Questions arise as to what extent has decentralisation contributed to nation-building in developing countries and under what conditions, or to what extent, do the frequent military coups ushering in army rule or creating authoritarian civilian regimes through single-party states foster conditions for decentralisation as a means of nation-building and development. Unfortunately, the authors in the volume do not address themselves to these basic questions. Nevertheless, the issues discussed and problems examined by the contributors are important and these have been well articulated, analysed, and presented in the edited volume for a larger audience.

—D.D. MALHOTRA

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